





50 سال من العمل

Our Foreign Staff examines the impact of the recent U.S. subsidies ruling against Europe's steel industry, and the adjustments facing the EEC.

U.S. move a blow to Cockerill recovery

THE BELGIAN steel industry, which relied last year on the U.S. export market for 7.8 per cent of its total sales, sees the U.S. Commerce Department moves as a serious source of trouble. For Cockerill-Sambre, the sprawling state-owned steelmaker once described as "a coop for 'lame ducks'," the likely imposition by the U.S. of preliminary 20-21 per cent countervailing duties could push the group from slide into slump.

Hard thinking for steel makers

THE AMOUNT of steel imported into the U.S. first passed the 10 per cent level in 1965. Since then, U.S. producers have waged a vigorous, if sporadic, campaign against both European and Japanese manufacturers active in selling into the U.S. market.

Italsider fears EEC pressure on own market

THE ITALIAN steel industry is worried above all by the indirect effects of the preliminary move by the U.S. Government to impose countervailing duties on steel imports from a number of countries.

France to slash its steel exports

THE FRENCH steel industry, dominated by two nationalised companies, Usinor and Sacilor, has expressed indignation to the U.S. because of action on steel imports.

W. Germany shares U.S. view on subsidies

NOT FOR nothing is *Schadenfreude* a German and an untranslatable word. For the past seven years, West German producers have complained long and ardently about the state subsidies raining down on their European competitors.

UK supply vessels reassured of market access to Norway

UK SUPPLY boat operators need fear no protectionist barriers on the Norwegian market. Mr. Iain Sprout, Britain's Shipping Minister, told a press conference in Oslo.

SHIPPING REPORT Slight rise in tanker activity

MORE BUSINESS was done in the tanker market last week, but rates did not show any marked return since there is still a surplus of vessels.

German group in \$98m Indonesian deal

MANNESMANN DEMAG of West Germany is set to win a contract to design, engineer and construct a \$98m tin plate mill for the Indonesian Government.

"IN 6 MONTHS MY COMPANY FLEW 6 TIMES AROUND THE WORLD... VISITED 21 COUNTRIES... SPENT A FORTUNE ON TRAVEL BILLS ALONE AND HADN'T MADE A PENNY."

World Economic Indicators

Table with columns for Country, Month, Exports, Imports, Balance. Includes rows for U.S. \$bn, W. Germany DMbn, France FFfrbn, Italy Lirebn, Japan \$bn, UK £bn, Belgium BFfrbn, Netherlands Flnbn.

F.F.I. BRIDGING THE GAP BETWEEN TECHNOLOGY & THE MARKET PLACE. Text describing F.F.I. services and contact information.

Charities Aid Foundation for effective charitable giving. Text describing the foundation's services and contact information.

UK NEWS

# Specialists sought by co-operative agency

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

FOUR EXECUTIVES with experience of marketing and accountancy are being sought on secondment from large companies by the Government's Co-operative Development Agency.

Mr George Jones, the agency's new director, himself on secondment from Unilever, has written to 12 large companies asking for help. He believes worker co-operatives lack marketing and accountancy skills in particular and that his agency should help plug the gap.

The number of co-ops in the UK has increased rapidly in the past few years. There are now about 500 compared with more than 300 in 1980. Many have been founded by people who have been made redundant and most are very small, averaging eight or nine employees.

Mr Jones toured 30 co-ops and found them especially effective in service and highly skilled areas where there is a high labour content and a need for good quality work.

"The quality of goods manufactured is very high," he says. "A pride of ownership seems to come through as the worker realises that bad goods drive away customers."

"People are sitting on top of a profit and loss account so they get a rapid education in the realities of a business that you cannot get with a traditional workforce. But the problem is that, unlike most traditional small businesses, those setting them up usually have only one production-oriented skill and no knowledge of marketing or other management techniques."

But it is the quality of work and the personal commitment which impress Mr Jones. He cites as examples a blouse manufacturer in Wales exporting goods to Germany, a raincoat manufacturer in Bradford selling to Aquascutum, a wooden pattern maker in Newcastle producing highly intricate work at a profit and a carpet manufacturer in Dundee producing goods for Sanderson and for hotels. Several of these are relatively large businesses employing 30 people and several were rescued from businesses under conventional private sector owners.

Mr Jones, 53, started his new job in March having joined Unilever 30 years ago as a clerk. He specialised in corporate planning and marketing



Mr George Jones

and was a director of BOCM Silcock and chairman of Unifrut, both animal foodstuffs companies. Unilever is subsidising his salary which is well above the Civil Service assistant secretary's level of about £20,000 a year fixed for the job.

At Unilever Mr Jones had experience of employee participation and became interested in expanding the concept.

"My philosophy is of a mixed economy with all forms of organisation contributing,

mixing private and State ownership and now co-operatives. I believe that the more democracy you can get into a business, the better it will be because people do have something to contribute. But I'm not yet sure how it can work on a large scale for co-operatives in this country, though it has been done in Italy and Spain."

Mr Jones's appointment is part of a move to turn the agency into an effective organisation following a board shake-up last year. The Government then gave it a three-year lease of life with a £200,000-a-year budget and told it become a more business-like organisation.

The agency was set up in 1979 with all-party political support by the last Labour Government, following years of debate within the Labour Movement about the need for some sort of promotional organisation.

It has concentrated on worker co-operatives but has had an extremely limited impact. Sir Keith Joseph, then Industry Secretary, decided last summer that it should be given until roughly the end of this Parliament to prove itself.

A new board was appointed, chaired by Mr Ralph Woolf, managing director of Scott Bader, a Northamptonshire chemical company which has been owned by its employees for about 20 years. The board includes Mr George Wright, secretary of the Wales TUC, who is helping to found a co-op development centre in Wales along the lines of the Mondragon community of co-ops in the Basque area of Spain.

The agency has a staff of 12 and will soon gain its first secondees, Mr Ian Brierley, an economist from the Co-operative Bank who has considerable practical experience.

Mr Jones's aim is to persuade the occasionally warring factions in the Co-op movement to work together to improve the viability of new enterprises.

He will stress that viability rather than lack of finance is the primary problem. "In practice you can't solve things by just showing money at them. You need to get the right skills to create the products and markets which will then attract the finance. Then you're on your way to viability."

# Crime risk in small building societies, says Alfreton report

BY DUNCAN CAMPBELL SMITH

SERIOUS RISKS of fraud and embezzlement confront the public in dealings with small building societies, according to the findings of a committee of inquiry submitted to the Institute of Chartered Accountants.

Societies with about eight staff or fewer will have "the greatest difficulty" in maintaining adequate systems of control and inspection over their own affairs, it says. This will in practice entail situations where "there is little to hinder the progress of a dishonest chief executive."

Mr David Hobson, who chaired the committee and is senior partner of the accountancy firm Goopers and Tyward, said yesterday that this was a conclusion of "considerable importance."

His committee had consulted with the Chief Registrar of Friendly Societies, who has supervision of the sector, and given him a draft of its comments on the problem of small societies.

The Registrar expressed no objections, said Mr Hobson, and offered no official reaction. The committee had had no contact with the Building Societies Association, which the committee saw as having no standing in the context of the inquiry.

The immediate reasons for the inquiry, undertaken at the request of the chartered accountancy profession's joint disciplinary scheme executive, was the case of Alfreton Building Society.

The Alfreton was a tiny society, now merged into the Britannia Building Society. Between 1975 and 1980 it was defrauded of £181,072 by its own secretary, convicted in November of theft, false accounting and forgery.

The inquiry was set up to look into the conduct of three accountants involved in the Alfreton's affairs, two as external auditors and the third as its chairman throughout the period in question.

The report criticised certain aspects of their work for the Alfreton, but in all three cases concluded that no adverse findings on their conduct and competence were justified.

The vulnerability of the Alfreton to the criminal activities of its then secretary prompted the committee to draw a wider lesson.

# Birkenhead cargo service to end

BY OUR LIVERPOOL CORRESPONDENT

THE MERSEY Docks and Harbour Company is to withdraw its cargo-handling operations from conventional liner services from Birkenhead at the end of the month.

The decision, which has the backing of Mr David Howell, the Transport Secretary, came as no surprise to the waterfront. It is in line with the dock company's rationalisation programme, aimed to achieve financial stability by the end of the year.

Sir John Page, the company's chairman, stressed that the

decision would not mean the closure to other stevedore companies of Birkenhead docks where £400,000 has been spent on improvements to the pumping equipment which maintains the water level in the enclosed docks.

### Transfer

The Pacific Steam Navigation Company, the main user of the Victorian dock complex at Birkenhead for its South American services, is increasing its volume of cargo through

the port and will now be accommodated in Canada Dock at Liverpool.

The decision will mean the transfer of 352 dockers and 180 other employees to the Liverpool side of the river, while another 125 dock company employees will continue to work at Birkenhead.

Mr Howell has indicated he accepts that the dock company has a strong commercial case for ending its own cargo-handling operations at Birkenhead as quickly as possible.

# Lager plant for Toxteth

BY OUR LIVERPOOL CORRESPONDENT

HIGSONS, the Merseyside brewer, is to invest more than £1.7m on a new lager plant on the company's main site in Toxteth, Liverpool, helped by funds from the Liverpool Inner City Partnership.

The plant will be housed in a conversion of the old hrew-house. Higsons has spent £4.1m on a new brewhouse which will be formally opened on Wednesday although it is already in production. Higsons had planned originally to pause between the two investment projects but decided to start

work on the lager plant to meet demand.

Higsons made a pre-tax profit of £26,000 in the half year to April 2 but has been affected by the depressed state of the Merseyside economy.

The collapse in beer consumption between January and March last year and the same three months of 1982 was probably higher than the fall in production suggests, Public Attitude Surveys says in a report published today. Production fell 7.5 per cent compared with the same three months in 1981 but the volume drunk was 11.5 per cent down on a year before.

# Pension accounts advice

BY DUNCAN CAMPBELL SMITH

GUIDANCE on a desirable form of published annual accounts for pension schemes is suggested in a discussion paper released today by the Accounting Standards Committee, the internal watchdog of the accountancy profession.

Pension schemes are not at present obliged to prepare formal accounts, let alone publish them. The discussion paper sets out a number of detailed recommendations and is widely expected to stir up further controversy in an area already vexed by long-standing disputes between the accountancy and actuarial professions.

The discussion paper is intended eventually to lead to an exposure draft of a new accounting standard. Meanwhile, a working party under the standards committee is looking into the treatment of pension costs in company accounts. The two developments together represent an important initiative by the accountancy profession.

Two points in the discussion paper are expected to draw particular comment from the actuaries. The first considers whether a pension scheme's actuary should be required to provide a simple statement of approval for an annual report or whether he should have to give more detailed actuarial information about its general position.

Second, the paper discusses a balance of views—whether or not actuarial practices could sensibly be made subject to standardisation.

Comments on the paper are requested by December 31. Pension Scheme Accounts—a Discussion Paper, £2.50 post-free from The Publications Department, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London EC2J 2BJ.

# Private parcels 'threat to P.O. jobs'

By David Goodhart, Labour Staff

THOMPSON National Transport, which launches today a private parcel delivery service, called Homefast, would pose a big threat to Royal Mail parcels, if it were to reach its target of 1m parcels a week by next year, according to a confidential Post Office report on the company.

Royal Mail traffic could decline by up to 35 per cent, the report says. The Post Office now delivers about 175m parcels a year, and has more than 7,000 major contract customers on its books.

But Post Office researchers believe that Homefast, which is initially aimed at the large mail-order business, could threaten the public body's whole parcel contract business.

A joint working party has been set up by the Post Office and the Union of Communication Workers to counter the threat from Thompson, a company with an annual turnover of about £800m and based in Australia.

The union fears that most of the 17,000 jobs in the Post Office parcels service could be in jeopardy, and is backing Post Office attempts to improve services and hang on to customers. After a loss of £2.8m in 1980-81, the Post Office parcels service made a £7m profit in 1981-82.

Mr John Carney, general manager of Homefast, described the Post Office calculations as hysterical over-reaction. "We are aiming for a traffic of about 10m parcels in the first year of trading, which is a tiny fraction of the business," he said.

Thompson National Transport has launched a successful UK overnight service (TNT Overnight) and a 48-hour, door-to-door service to the U.S. (TNT Supersmart).

Homefast will guarantee a five-day delivery service—longer than the claimed average of three days for Royal Mail—but plans to make household deliveries in the evenings, when many people are more likely to be at home.

# Data protection report criticised

By Kenneth Gidding

STRONG criticism of the Government's White Paper on data protection is contained in a paper from the Institute of Data Processing Management (IDPM) released at the weekend.

The Government was wrong to reject the establishment of an independent Data Protection Authority because, "since the Government is the largest user of computers in the country, nothing less than genuine independence of the administering authority is going to be acceptable."

It was also wrong not to include manual data systems in the proposed legislation, says the IDPM.

# Gower plans attacked

BY JOHN MOORE, CITY CORRESPONDENT

MORE CITY opposition has been voiced against a report on investor protection, commissioned by the Department of Trade, which proposed sweeping reforms in the system of regulation.

The City capital markets committee, which represents a wide range of interests, has come out against proposals which it says are "bound to be disruptive and expensive."

The committee comprises representatives from the merchant banks, unit trusts, insurance companies, the stock market clearing banks, accountancy and the law.

It says that changes discussed in the report, prepared by Professor Jim Gower, adviser to the Department of Trade on company law, should be avoided "unless it is shown that they are really needed to protect investors or to promote competition in their interests."



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# TI Raleigh and OFT compromise on retail policy

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A COMPROMISE to the long running dispute over whether TI Raleigh Industries should be forced to sell all brands of its popular bicycles to cut-price retailers has been reached between the company and the Office of Fair Trading.

The OFT is expected to announce shortly that it has received undertakings from Raleigh to keep its future trading practices in line with a Monopolies and Mergers Commission report published last December.

But the OFT had sought undertakings from the company which were significantly stronger than those suggested by the Commission.

The move will bring to an end a series of investigations which have taken nearly two years to complete. They were the first to be made into anti-competitive trading practices under the terms of the Competition Act, 1980, as well as being regarded as an important test case in the issue of a manufacturer's rights to refuse to supply cut-price retailers.

The company's refusal to supply cut-price stores such as Tesco and Argos with its main-brand bicycles had first attracted the attention of the OFT in 1980 when the new Competition Act was coming into operation.

Raleigh maintained that its sales distribution policy was in the best interests of both its

# Inquiry into Midlands motorway repairs

INQUIRIES into whether repairs to Midlands motorways since the 1970s "should or could have been carried out in a more effective way" are being made by the Department of Transport.

Much of the Midlands motorway network is on raised sections, and repairs had to be made many years earlier than expected.

Part of the Department's inquiry will involve the sealant coatings used to cover 5,000 bearing piles under contracts worth £460,000.

The Department wants to know if West Midlands County Council, which acted as its construction agent, altered a specification for the application of a final protective coating from seven to two days.

The cut would have meant contractors having to use expensive scaffolding for much less time, thus saving many thousands of pounds.

Recent failures of the coating, causing further repair work, brought the Department's concern to a head, the department said yesterday.

# Picking winners and making them pay—John Elliott examines the SDP's latest policy

## Pouring oil on the wheels of industry

A POLICY in which industrialists would help ministers and civil servants pick potential winners that used state financial support was launched at the weekend by the Social Democratic Party.

The main proposals of this cautiously interventionist policy are in a discussion document in which the SDP calls for a scheme of cheap loans for special industrial projects, and the formation of a new ministerial committee on industry headed by the Prime Minister and advised by a team of industrialists.

Each of the holding companies would be in overall charge of running a number of the industries in certain sectors, such as transport and energy.

The policy differs little in many areas from an amalgamation of the Government's approach under Mr Patrick Jenkin, Industry Secretary, and the industrial strategy developed in the second half of the last Labour government's term of office.

But the Social Democrat leaders say they have an advantage in that they would consciously start out with such proposals. "This is a unique policy document because it won't need a U-turn within two years to make sense of it," said Mr David Sainsbury, finance director of J. Sainsbury, and a member of the SDP's national steering committee.

Mr Sainsbury helped draft the proposals under the chairmanship of Mr William Rodgers, one of the SDP's founders.

Mr Rodgers said: "We envisage a partnership between the Government and industry and the City, to include commerce in the widest sense."

"Our aim is to make the economic and industrial regeneration of Britain the central and first task of an Alliance government. We aim to make the mixed economy work—neither of the main parties do that."

Its primary role would be to debate industrial policy, but it may also discuss pay. The document says its members would include the long term savings institutions and the chairmen of the BTG and Industrial Credit Corporation.

The National Economic Development Office would be given more responsibility for monitoring industrial and trading performance, including publication of an annual report "assessing the immediate past" and presenting short and medium-term forecasts.

These various committees and organisations would help develop "a view about the strategic situation and prospects in major sectors of industry."

This would lead to projects "deemed worthy of support" being picked for help in the industrial credit scheme, which would provide interest relief grants and subsidised loans 5 per cent lower than current interest rates.

The prospects seemed for sectors of industry would be used to inform all government policies relating to the success of industry, not only such as public purchasing, funds for investment, assistance for research and development, and training, but also more generally touching on the orientation of the education system.

"The strategy must be formulated and implemented on the basis of partnership between the different interests involved," says the document.

"There should be no attempt to draw up a grand plan in the sense of a detailed blueprint for the development of all parts of the industrial economy, but rather a gradual development of a policy within each specific sector, informed by an overall view of the sort of developments to be encouraged."

### Selectivity

There would need to be an element of "selectivity in the industrial strategy, though in terms of generic technologies rather than traditional product areas."

These remarks show how the SDP is trying to develop an overall industrial policy without appearing too interventionist and without being accused of planning to use ministers and civil servants to pick industrial projects which would be flooded with government funds.

But Mr Sainsbury admitted when the document was launched that the detailed operation of aid schemes might be little different in practice from those run by the Industry Department in areas such as robotics.

Partnership for Prosperity, A strategy for industrial success. Green Paper No. 2, SDP, 4 Conley Street, London, SW1.

# Economic line 'means 3m jobless to end of century'

BY MAX WILKINSON

UNEMPLOYMENT will remain above 3m until the end of the century if the present economic strategy continues, says Cambridge Econometrics in its latest projection today.

While no economic forecast can claim very reliable predictions over so long a period, the Cambridge forecast provides a baseline for possibilities on present trends, barring big political or economic upheavals.

The basic assumptions for the forecast are that Government spending would rise by 1.5 per cent a year from 1984, and average earnings would increase by about 10 per cent, and price inflation would stay at about 9 per cent a year.

It also assumes that exports will grow at 5 to 6 per cent a year for six years, and thereafter at an annual rate of about 4 per cent. Imports are assumed to grow rather faster than exports until the mid-1980s and then rather more slowly.

On these assumptions, the group predicts that jobs would increase rather slowly—by only about 1.5m in the last 15 years of the century.

This would barely keep pace with the increasing number of people of working age, so that unemployment would remain at around 3.2m, a figure expected to be reached this year.

The group expects output to grow by 1.5 per cent this year, rising to 3 per cent next year.

In its latest Monetary Bulletin Greenwell, the broker, says a further fall in interest rates can be expected, unless sterling's effective exchange rate weakens or the sterling-dollar rate falls very sharply.

Recent dollar strengthening is balanced to some extent by weakness in commodity prices, and the effect of a strong dollar on UK costs has therefore not been as great as it might have been.

Cambridge Econometrics, 21, St. Andrews Street, Cambridge.

# Booms 'lift black economy'

BY ROBIN PAULEY

THE BLACK economy, which is often assumed to flourish during recession and high unemployment, may in fact be strongest in boom years when the formal economy is tight, a new study suggests.

In a paper which aims to assess the size of the UK black economy—transactions which evade tax—Mr Michael O'Higgins, of Bath University Centre for Fiscal Studies, says the Inland Revenue estimate of 6 to 8 per cent gross domestic product appears to be the most likely figure, although guesses range from 3 to 15 per cent.

On the Inland Revenue's basis, the black economy's gross product would be about £15bn a year, making a net tax loss of £4bn.

An analysis of the hidden economy shows that it grew rapidly during the years of rapid economic growth in the early 1970s and has grown relatively little since the late 1970s, although public criticism of taxation levels peaked during the late 1970s.

Mr O'Higgins says the black economy appears to have grown rapidly in the three periods of fastest economic growth since the 1950s—1959-61, 1963-65 and 1970-73. Since 1957, unemployment has been less than 2 per cent only in 1960-61 and 1964-66, and the lowest rate of unemployment in the 1970s was in 1973-74—all within the busiest black economy periods.

About three-quarters of the hidden economy appear to occur in self-employment, with the construction industry having by far the highest levels of tax evasion.

# National Savings growth

BY ERIC SHORT

THERE was a marked improvement in National Savings in May, following poor April figures. Net receipts were £35m up on those of the previous month, at £124.5m.

But that was still only half the monthly average needed to be on course for the Treasury's goal of £3bn for 1982-83. The total net contribution to funding in the first two months overall, amounted to only £214m.


For once, investment in the index-linked National Savings Certificates, still known as Grammie Bonds, was dull, amounting to £794m in May. Sales had been more than £100m for several successive months.

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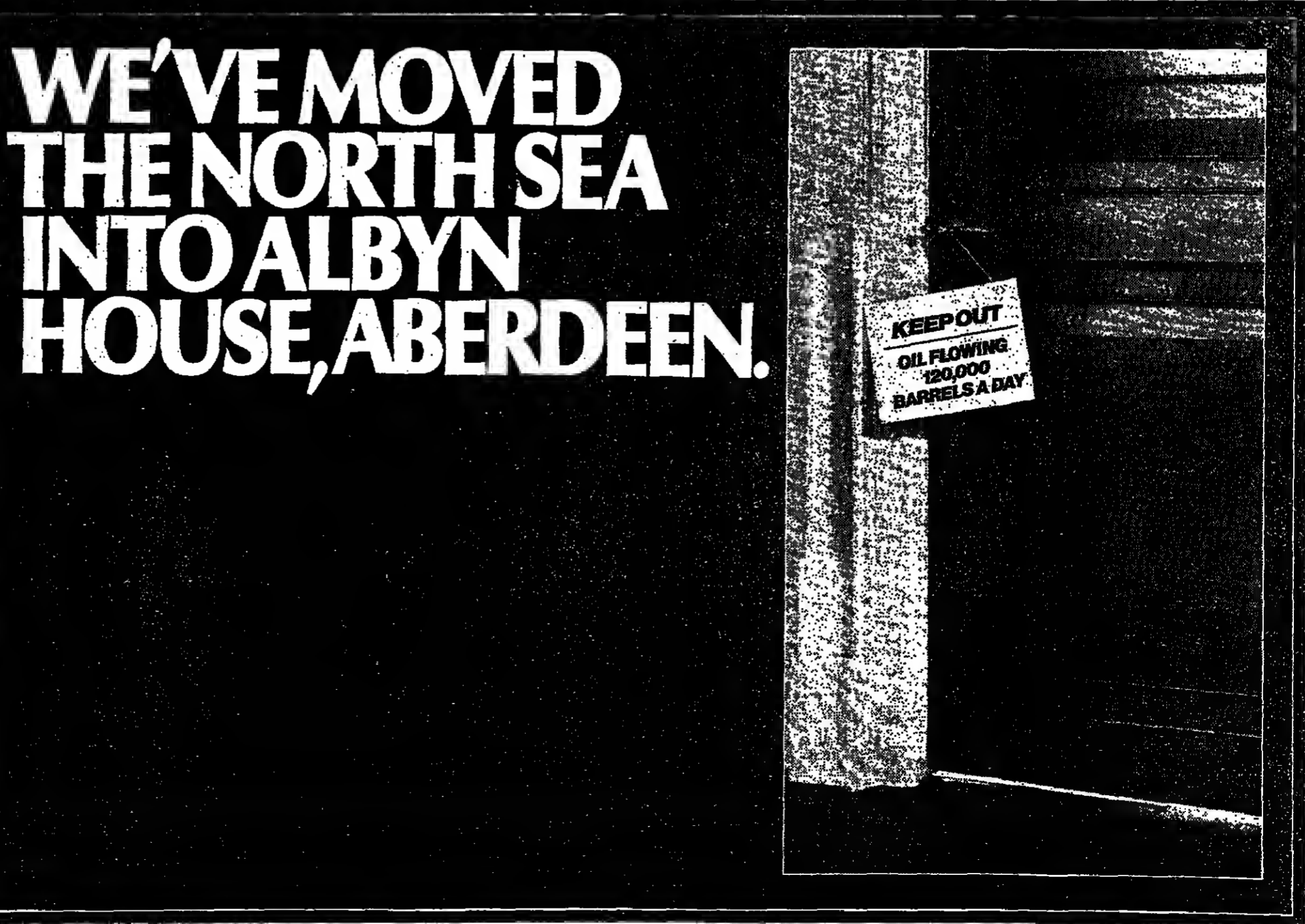
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INSURANCE

Lloyd's dilutes its claim to protection from lawsuits

BY JOHN MOORE, CITY CORRESPONDENT

THE House of Lords select committee reviewing the Lloyd's Bill for improving the insurance market's self-regulation has nearly finished its inquiries. The final closing speech by legal counsel on behalf of those giving evidence is expected to be heard tomorrow.

It said that it was "peculiarly vulnerable to blackmail by litigation" and that its position in world markets could be put at risk by sustained legal action. Lloyd's stressed that it needed protection for a council to move with confidence in dealing with problems which arose in the market.

It was demonstrated before the Lords committee. A specialist broker in errors and omissions insurance has been called by those opposing the immunity clause, but no specialist underwriter in that area has given evidence on this issue before the committee.

Midland Bank to maintain horse trial funds

MIDLAND BANK has agreed with the British Horse Society horse trials committee to continue its financial support for horse trials after it ceases to be the sport's national sponsor at the end of the current season.

The other controversial area of the Lloyd's Bill, that of the forced sale of "hyperm" shareholding links with underwriting interests, has attracted widespread opposition before the committee.

Shelter urges radical housing reform

BY LISA WOOD

RADICAL changes in the methods of financing the provision of housing are proposed in a report published today by Shelter, the national campaign for helping the homeless.

both public and private, is being undermined by the wide range of tax exemptions available to home owners, the report says.

who are already comparatively well-off." Far from helping the first-time home buyer, the present distribution of subsidies made purchasing difficult and expensive while providing substantial benefits to people who least needed them.

APPOINTMENTS

Senior posts at Lloyds Bank

Mr P. L. Brooke has been appointed to the board of LLOYDS BANK INTERNATIONAL as an executive director from July 6. He will become executive director, merchant banking division, on August 2, taking over from Mr M. H. R. Thompson who returns to Lloyds Bank as an assistant chief general manager.

Lloyds Bank; Mr Norman E. Foster, of Barclays Bank; Mr Alan D. Orsick, of Standard Chartered Bank; and Mr Alfred G. Pollard, of Williams & Glyn's Bank.

Mr Richard H. Amls, chairman of Alfred Booth and Co. has been appointed to the board of MICHELIN TYRE.

Mr Donald M. Corbett has joined the partnership of GREIG, MIDDLETON, stock brokers, and will be responsible for the new branch office in Bristol.

Following the rationalisation and reorganisation moves at WATSON & PHILLIP which have taken place over the last year, Mr H. V. Gardner has resigned as managing director of the company and its subsidiaries from June 18.

Mr Alan Hicks has joined the London Office of FIDELITY BANK as vice-president and foreign exchange manager, and Ms Penny Page, who has been promoted to senior operations officer, is on assignment at the London office as operations manager.

Mr C. J. Strowger has been appointed to the board of HARLAND SIMON (1980) as a non-executive director. He is chairman of Hornby Hobbies and General Telephone Services.

Mr W. A. G. Spicer will retire as finance director of ARTHUR GUINNESS AND SONS on July 31 and Mr M. Hely Hutchinson has resigned as director of the company with effect from September 30 to become chief executive of the BANK OF IRELAND.

Mr Graham G. Woodhead has been appointed a director of BESTOBELL from July 1. He has been a director since joining Bestobell in 1972 as general manager of Bestobell Seals. In 1976 he was appointed managing director of Bestobell Mobery and in 1979 became business group manager of the controls and instrumentation group of companies comprising operating units in the UK, Europe and North America.

Mr Stuart T. Graham has succeeded Sir John E. Read, who resigned as chairman of INTERNATIONAL COMMODITIES CLEARING HOUSE under its recent change of ownership.

Mr Keith Speed, the former Navy Minister who was dismissed by Mrs Thatcher for criticising defence cuts, has been appointed Parliamentary consultant to the PROFESSIONAL ASSOCIATION OF TEACHERS—the "we never strike" union. Mr Speed, Conservative MP for Ashford, succeeds Mr John Butcher, MP for Coventry South West, who has accepted a Government post.

ERNST AND WEINBEY have admitted to partnership from July 1. Mr L. J. Allen—national; Mr R. D. Anderson—Aberdeen; Mr A. J. Barton—Newcastle; Mr I. Quinlan—Manchester; Mr R. J. Todd—Southampton; Mr D. T. Wilson—London; Mr E. S. Yates—Bristol; and Mr C. Young—Glasgow.

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FOREXFUND LIMITED continued

Contract: The following contracts have been entered into prior to the date of this document and are, or may be, material. (a) Management Agreement dated 16th June 1982 between (1) the Company and (2) the Manager whereby the Company appointed the Manager, subject to the approval of the Directors...

Miscellaneous: The Company has not established a place of business in Great Britain and does not have any subsidiaries. This document shall have the effect of rendering all persons concerned bound by all the provisions (other than the pre-provisions) of Sections 30 and 51 of the Companies Act, 1946 of Great Britain...

APPLICATION FORM

Form with fields for Name, Address, Signature, Date, and a series of numbered questions regarding the application to purchase shares of Forexfund Limited. Includes instructions for completion and terms of application.

THE WEEK IN THE COURTS

Lord Denning and his pet aversion

T. S. ELIOT's aphorism that the end of the world 'came not with a bang, but a whimper' will certainly not be applicable to the end of Lord Denning's amazing judicial career.

Mr Ernest Cheall was the first person to feel aggrieved at the "anti-poaching" rules which prevented him from resigning as a member of the union of his choice.

Lord Denning saw the issue in black and white terms. The racing at Wolverhampton, where the card is due to close some 74 hours after the "opener" on the Sussex course.

individual worker had the freedom to join a trade union of his choice; he was not to be ordered to join any trade union without having a say in the matter.

Mr Cheall is certainly not the first person to feel aggrieved at the "anti-poaching" rules which prevented him from resigning as a member of the union of his choice.

Throughout the years the disputes committee of the TUC has made awards between competing unions. The difficulty has occasionally cropped up that its awards have no legal force.

Encouraging effort, and her market position is likely to be justified. A chestnut daughter of Northern Dancer, Wintergrace again finds herself in a 21-rummer field for which dangers in the shape of Wynweth Boy and Taking Silk could emerge.

closed shop. But in this instance it is anything but clear whether Apex's action would be regarded as a breach.

When the European Court of Human Rights, exactly a year ago, ruled on the case of three British Rail workers who were dismissed from their employment because they refused to join a union in a closed shop.

It was only because a threat of dismissal involving loss of livelihood was such a serious form of compulsion that the three British Rail workers were successful.

Lord Denning sought support for his sweeping condemnation of trade union interference with the worker's freedom to join a union of his choice from Article 11 of the European Convention on Human Rights.

It was only because a threat of dismissal involving loss of livelihood was such a serious form of compulsion that the three British Rail workers were successful.

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TELEVISION section containing 'Tonight's Choice' and 'LONDON' sub-sections with program listings for BBC1, BBC2, and various channels.

RADIO section containing 'RADIO 1', 'RADIO 2', 'RADIO 3', and 'RADIO 4' sub-sections with program listings.

MEMO FROM THE BANKER advertisement featuring the title 'Memo from THE BANKER' and details about a forwarding service for bank balance sheets.

FINANCIAL TIMES Business Reorganisation advertisement for a conference on 'A BALANCING OF INTERESTS' held at Hotel Intercontinental, London, July 12 & 13, 1982.



UK NEWS - LABOUR

Scargill rejects plans for pension fund investment

BY PHILIP BASSETT, LABOUR CORRESPONDENT
FUTURE PLANS by the miners' pension fund for overseas investment have been thrown into disarray by rejection of the proposal by Arthur Scargill, president of the National Union of Mineworkers.

Government expected to raise NHS offer

By Our Labour Correspondent
THE GOVERNMENT will today meet leaders of the health service unions and is widely expected to improve its National Health Service pay offer in advance of the next 24-hour strike set for Wednesday.

TGWU urges Owen to quit seat over dockyards letter

BY OUR LABOUR STAFF
BRITAIN'S LARGEST union, the Transport and General Workers, yesterday called for the resignation from his parliamentary seat of Dr David Owen, who is fighting for leadership of the Social Democratic Party with Mr Roy Jenkins.

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BUSINESSMAN'S DIARY
UK TRADE FAIRS AND EXHIBITIONS

Table with 4 columns: Date, Title, Venue, and other details for various trade fairs and exhibitions from June 21 to September 7.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table with 4 columns: Date, Title, Venue, and other details for international trade fairs and exhibitions from June 21 to August 30.

BUSINESS AND MANAGEMENT CONFERENCES

Table with 4 columns: Date, Title, Venue, and other details for business and management conferences from June 21 to July 19.

London Tube disruption over rosters likely today

BY PHILIP BASSETT
UNDERGROUND rail services in London are liable to serious disruption today over the introduction of new timetables.

Government expected to raise NHS offer

By Our Labour Correspondent
THE GOVERNMENT will today meet leaders of the health service unions and is widely expected to improve its National Health Service pay offer in advance of the next 24-hour strike set for Wednesday.

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SUB-DIRECTORATE FOR PURCHASING AND CONTRACTS
NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR TENDERS No. 16/82 "SDMC"

COMPANY NOTICES

CITY OF COPENHAGEN
8 1/2% UA 20,000,000 1976/1986 BONDS
Notice is hereby given to Bondholders that, during the twelve-month period ending June 14, 1982, nominal UA 1,000,000 have been purchased for the account of the City in satisfaction of the Purchase Fund.

BOND DRAWINGS

CHILEAN EXTERNAL LONG TERM DEBT
LAW No. 8962
CHILEAN GOVERNMENT
LOAN 1982
CHILEAN GOVERNMENT
BONDS 1983

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THE CASINO OF ST JAMES'S, London's most exclusive members club. No membership needed. 2 bars, dozens of delectable Continental Cuisine.

Financial Times Conferences

BUSINESS REORGANISATION - A BALANCING OF INTERESTS
This important conference, which follows the publication of the Cork Report, takes place in a year when insolvencies have often been in the news and in fact have become a matter of wider public concern.

YACHTS AND POWERCRAFT

COMPULSORY PUBLIC AUCTION
on Thursday, June 23rd 1982, starting 2 P.M. of a KETCH RIGGED SAILER named 'Facet', built 1977/1979, sandwich polyester, L.O.S. 54', sail area 164 sq.m., 94 hp diesel, 11 berth, extensive navigation equipment, particularly suitable for charter purposes.

EUROBONDS

The Association of International Bankers' Europe (AIBE) publishes monthly in the Financial Times.
It will be published on the following dates:
1982
Tuesday 13th July
Wednesday 18th August
Tuesday 14th September
Wednesday 13th October
Thursday 11th November
Tuesday 14th December

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THE ARTS

Architecture Colin Amery

The return of the neo-classical



Towards the end of the Bacchanale—a Weinbrenner drawing from a classical fragment

Ideas percolate slowly. In the field of architecture it is sometimes difficult to detect consistent intellectual activity...

Classicism to our architectural dilemmas today becomes clear. He believed, like the architects of the Modern Movement, that architecture is the art of rational construction.

metry of the pyramid, the obelisk, the column and the rotunda is the architects' idiom, a medium of expression that can be shared with the past and the present.

This takes us beyond Neo-Classicism into a world that de Chirico later made manifest. For more than 25 years Weinbrenner put into practice

big ideas in the centre of the city of Karlsruhe. In the linked areas of the Schloss Strasse and the residential quarters of the city he realised an ensemble of buildings that has a unity of character equal to Helsinki or Leningrad.

Drama/Holland Festival

Michael Coveney

Controversial premiere from Pina Bausch

I have never seen anything like it. On Thursday night in Amsterdam Pina Bausch's Dance Theatre of Wuppertal presented the world premiere of Wolzer amid scenes of euphoria, derision, confusion and astonishment.

frenzied scenes of eating and copulation, bestial playfulness. A consistent theme is that of "performance" somehow obstructing the process of self-revelation.

much sensual pleasure as the same company's Kontakhof, nor does it compete with the Proustian density of 1980. But like all Pina Bausch's work it does transmit a clinical, dangerous sense of theatrical experimentation.

Holloway's 'Nursery Rhymes'/Wigmore Hall

Max Loppert

In three successive weekend concerts, the Nash Ensemble has compiled chamber music programmes into which premieres are being meticulously slipped.

but sometimes rather soft quality of earlier works; whereas this Divertimento, though brilliant in conception and characteristically felicitous in much of its detail, struck me as decidedly soft-centred.

signal virtuosity; and, as always in Holloway, influences (notably, to my ear, Mahler's Fourth Symphony, the "small" Stravinsky, and Britten pastiche) are creatively admitted to.

A Doll's House/The Pit

Rosalind Carne

Adrian Noble's stirring production will surely be lodged in my memory for many years. More than 100 have passed since Ihsen wrote his masterpiece and it still has the power to shock, albeit through the pain of recognition rather than the scandal of what he dared to say.



Leonard Burt

Obviously she is a born manager, capable and realistic and despite the cruelties of the world she must face, we hold no fears on her departure. She should do well in the school of life.

Simon & Garfunkel/Wembley

Anthony Thorncroft

You do not trek out to Wembley Stadium for a concert; you go for an experience. After the travail of getting there; the hours of waiting for the artists to appear on stage, it is always a shock not to see them.

matters is grabbing again all the personal securities, for quite rightly Simon and Garfunkel played their standards, with hardly a new song in sight (why has the creativity stopped?).

It is quite unnerving to sit for almost two hours while classic songs follow classic songs, memorable not only for their melody and lyrics, their variety and the beautifully blended voices in performance, but their relevance to the history of the past 15 years or more.

The Western Orchestral Society has announced that the Russian-born conductor, Rudolf Barshai will become the new principal conductor and artistic adviser of the Southampton Symphony Orchestra in September.

Buddy De Franco & Terry Gibbs/Ronnie Scott's

Kevin Henriques

Clarinetist Buddy De Franco and vibraphonist Terry Gibbs, both hugely experienced musicians in a wide variety of settings, have, rather surprisingly, been appearing together for only two years.

and firm proof that when two virtuosos meet to ego bruising occurs because of unashamed musical respect. Their two personalities are complementary. Neither tries to upstage the other and the perpetually gum-chewing Gibbs, whose speed on two mallets is dazzling, in content during De Franco solos to comp gently but meaningfully behind him.

the rest of your life?" was deeply searching. Apart from the familiar standards some of Gibbs' own compositions are included one of which, "Samba Wazoo," is a breakneck workout for both. De Franco fingering fleetly and so accurately and Gibbs moving at a furious lick which is a reminder that as a child he won a talent contest for playing "The Flight of the Bumble Bee" in 45 seconds!

THEATRES

A large section containing theatre listings, crossword puzzles, and other entertainment news. Includes titles like 'A Doll's House', 'Simon & Garfunkel', and 'Buddy De Franco & Terry Gibbs'. Also contains crossword puzzles with clues and solutions.



# FINANCIAL TIMES SURVEY

Monday June 21, 1982

# 香港

Hong Kong: the Chinese way

# HONG KONG

Outstanding improvements in social conditions and rapid economic growth are the legacy which Sir Murray MacLehose left behind on his retirement as Hong Kong's Governor earlier this year. The issue which will dominate the term of his successor, Sir Edward Youde will be the colony's status vis-à-vis China as the expiry of the lease on the New Territories draws closer

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Hutchison is ideally positioned to help you participate in Hong Kong's excellent future growth prospects. We are not suggesting that we can eliminate all the risks that go with involvement in Hong Kong's effervescent economy. We will however be able to help you correctly identify your opportunities and quickly resolve the inevitable problems. Without leaving anything to chance.

If you want to know more about us, simply send us a business card and we'll send you a copy of our 1981 Annual Report. The figures speak for themselves.

*In an age-old ritual, the cup of Chinese fortune sticks is gently shaken until one stick detaches itself from the rest. The message that it bears is a clue to future prospects.*



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21 1982

# HONG KONG III

# RELATIONS WITH CHINA

Anthony Walker in Peking assesses the political problems and trade ties

## Keeping the golden goose happy

SHEN FROM Peking, the Hong Kong problem is relatively small in dimension compared with the host of other difficult issues facing the Chinese Government only now consolidating its position after years of turmoil. This may not be a welcome observation to Hong Kong residents and investors, many of whom are understandably sceptical about the future. The Chinese Government moves slowly even at the best of times. It is likely to be several years before a decision is made in Peking about Hong Kong.

Miss Thatcher's planned visit to China in September will help to keep attention on the question. It may even lead to the beginning of consultations between British and Chinese Government on ways to protect satisfaction of Hong Kong's economic well-being.

It must be assumed that both sides are committed to that end. The few public statements made thus far by Chinese leaders on the future of Hong Kong have stressed the importance of maintaining business confidence. But these statements have been so vague as to give no clue whatsoever to Peking's thinking about Hong Kong.

Until very recently Chinese leaders were content to leave alone the sticking to the formula outlined when China joined the United Nations in 1972 that Hong Kong was Chinese territory, but the problem would be solved through negotiations when the time was ripe at some vague point well into the future.

To these same leaders, who had seen China turned upside down during a few short years

at the onset of the cultural revolution 1967 must seem an awfully long way away. However, British officials in Peking and Hong Kong say that in the past year or so, the Chinese have indicated they are at least attempting to come to grips with the problem.

When Humphrey Atkins, Minister of State in the Foreign Office, visited Peking in January this year he was assured by Zhao Ziyang, the Chinese Premier, that China wanted to preserve Hong Kong's prosperity and that the Chinese Government was beginning to think seriously about the problem.

This was considered a slight advance on Deng Xiaoping's advice to Hong Kong investors, first stated to Sir Murray MacLese early in 1979 and repeated at least once since, that they should "put their hearts at ease."

Mr Deng, whose political fortunes have risen and fallen and risen again, would not need reminding that such advice could hardly be regarded as a cast-iron guarantee to anxious Hong Kong residents and businessmen.

With perhaps a degree of understatement, a British official here said recently: "What the Chinese Government has in mind no-one can be sure about." He could perhaps have added that not even the Chinese themselves are sure about what they have in mind.

It is almost certain that the Chinese leadership is some distance from even considering a set of options with regard to Hong Kong, but if they were these are the sort of alternatives they might consider.

- Allowing the status quo to

continue indefinitely as they are apparently prepared to do with Macao.

- Some sharing of responsibilities between China and Britain, or at least the presence in Hong Kong of a senior Chinese official with powers to influence the conduct of policy.
- The designation of Hong Kong as a special administrative region under Article 30 of the new Draft Chinese Constitution—a sort of super special economic zone.

Recent visitors to China have quietly had their attention drawn to Peking's nine-point proposal issued last September for the reunification of Taiwan and the mainland. It has been discreetly suggested that this might give some clue to the solution that might emerge to the Hong Kong problem.

Point three of the reunification proposal may, in the minds of the Chinese leadership, be relevant with modifications to Hong Kong. It states: "After the country is reunified, Taiwan can enjoy a high degree of autonomy as a special administrative region. . . . The central government will not interfere with local affairs on Taiwan."

Article 30 of the recently released draft constitution mirrors this provision. It says: "The state may, where necessary, establish special administrative regions. The rules and regulations in force in special administrative regions shall be stipulated by law according to specific conditions."

While diplomats here say Article 30 was drafted specifically with Taiwan in mind, they concede it could be applied to Hong Kong. Such a "solution," if it were to be announced now, would, in the words of one British official, have a serious effect on business confidence in

### NEW TERRITORIES IN 1997

All these solutions are subject to a number of permutations and all would create problems for both sides. What is certain is that there is no chance of China renewing a lease that it does not even recognise.

"There is little doubt that in the official Chinese mind, the problems of Taiwan and Hong Kong are in some way psychologically linked. The Chinese would say that the Taiwan problem would be solved first. It is most unlikely they would say the same thing today."

PROFILE: DAVID LI

## Prepared for changes

CAMBRIDGE - EDUCATED David Li, the 48-year-old chief executive of the Bank of East Asia is typical of the younger breed of Hong Kong Chinese businessmen who are keeping an anxious eye on Peking for clues as to how China will handle the Hong Kong problem.

He says that some clarification of Hong Kong's position will be required soon: if confidence is to be maintained. "I think the Chinese are very clever," he says, "they don't want to rock the boat. I think there will be a period of consultation and negotiation."

Mr Li, whose bank is one of the largest and most respected in Hong Kong, is prepared for changes in the way in which Hong Kong is administered, although naturally he hopes the present free enterprise system remains intact.

"I think we all would like to have a bigger say and participate in the welfare and prosperity of Hong Kong," he says. "We all feel the present system may have to change towards a more representative and more open system in a controllable sense. But once you have real politics coming into play then I don't think it would be acceptable to China either, so it's a delicate balance to work out."

"Whether the British stay or

not is another matter, but I wish the present system to continue because it will maintain stability and give people confidence to invest in Hong Kong, and whatever investment there is in Hong Kong is also good for China. Mr Li, whose bank is the only foreign bank to have maintained a branch in China which can take deposits (as an agent for the People's Bank of China) through all the years of communist rule — it is located in Shanghai — believes that overseas Chinese businessmen have an advantage in dealing with mainland officials.

He instances his own recent experience where on mentioning the name of his family village in Guangdong province to a senior Chinese official he was treated to a description of economic progress being made there. Mr Li, who was born in England, has never visited the village.

Asked whether he had run into resentment in his dealings with Chinese officials, Mr Li said that never in his experience had he encountered difficulties. "They accept the material differences," he said. Mr Li's links with China—his bank is involved in financing a range of ventures in the People's Republic of China—do not prevent his doing business with Taiwan. He travels there from time to time, something, he says, that does not appear to cause any complications in his dealings with Peking.

Mr Li finds doing business with China time consuming, but believes that progress is being made. He points out that the Bank of East Asia helped finance the first joint venture in China (a catering business located at Peking airport) and also helped launch Visa card in China with the Bank of America.

The bank also represents American and British banks in dealings with the Chinese, particularly in the area of trade financing. Mr Li would like to push his bank into new areas of the China business, but all this takes time.

"I think the Chinese are very careful about entering into joint venture agreements so they go into very minute detail as to the responsibilities of the parties," he says.

Mr Li describes the question of the lease as the "topic of the day" and says "it's on everyone's mind," but he cannot offer any special insights as to how the problem will be resolved. It will have to be cleared up one way or another in three or four years, he says, or people may stop investing.

**JOINT VENTURES IN CHINA**  
(Breakdown made according to investors)

Country	Number of joint ventures	Total investment (US\$m)	Imported capital (US\$m)
Hong Kong	10	22.42	9.28
U.S.	5	16.165	8.035
Japan	2	3.68	2.028
West Germany	1	0.69	0.345
Australia	1	0.46	0.23
The Philippines	1	0.125	0.063
Total	20	43.74	20.63

**ACCORDING TO TRADES**

Trade	Number of joint ventures	Total investment (US\$m)	Imported capital (US\$m)
Light industry	4	7.35	3.465
Foodstuff	3	10.585	5.293
Electronics	3	11.9	4.93
Machinery building	2	4.42	2.353
Textile industry	2	6.125	2.62
Tourism	2	0.264	0.128

Source: China Economic News.

## Governing Committee could be taken in turn Independent zone

In a speech at a recent conference in Frankfurt Mr Richard Charles Lee, chairman of Hong Kong's Lee Hysan Estate Company, who has served on two senior government bodies, the Executive Council and the Legislative Council, gave his personal assessment in this extract of what might happen before 1997.

If Hong Kong's future is as I perceive it, the event will signal a new approach in international relationships based on the mutual respect of the British and Chinese Governments with the interest of all parties, including that of the local population, in mind.

China has already stated her case in general and if Britain agrees in principle details will have to be worked out. This will take several years. Many people want to know the form of government as well as the legal and monetary systems Hong Kong is likely to have after 1997.

I have no crystal ball but I am willing to suggest some of the possibilities so as to stimulate discussion. I venture to suggest that there will be government by a Governing Committee and Hong Kong an "independent special zone" within China and under the Chinese flag.

The leadership of the Governing Committee would be taken in turn by a Chinese and a Briton, say, every three or four years. The modification should be introduced gradually before 1997 to prevent any shocks caused by abrupt changes. An early introduction of the modification would also give time to test the system and make any adjustments that might be necessary.

The Legislative Council would continue with some appointed members as an interim measure for a few years after which the entire council could perhaps be elected. Hong Kong has already started the election of district committees from the beginning of this year. It seems likely that the elec-

tions of Legislative Council members could be developed from this system, with the Civil Service remaining much the same as at present.

Let us assume that the present laws of Hong Kong, which have wide recognition, will continue to be enforced after 1997 with the consent of China. Where, then, is the final appeal for court cases to be taken? Since China claims sovereignty over the whole territory the final appeal should not go before the judicial committee of the Privy Council.

Neither do I think it should go to Peking, because the courts there work under a totally different legal system and many cases, for example, commercial disputes, would be outside their experience.

As I see it, the solution lies in the creation of a Hong Kong Final Court of Appeal. It would be a Hong Kong court as distinct from a British court, although special arrangements might be made for British judges who are members of the Privy Council to continue to assist Hong Kong with their services in a new capacity acceptable to China, Britain and Hong Kong.

Before 1972, the exchange fund and general reserves were tied to sterling under Colonial regulations and, as a result, Hong Kong lost heavily through the weakness of the pound and successive devaluations. In 1972, the Hong Kong dollar broke away from sterling and diversified. The diversification of the fund is being managed successfully and Hong Kong has now become the world's third largest financial centre. This advantage should be vigorously maintained.

It is one of the points the Chinese leaders may well have had in mind when they spoke of preserving Hong Kong's present status.

When the year 1997 arrives the Exchange Fund should not be transferred to London or to Peking but should be kept locally or at any other place which Hong Kong itself may decide.

This would perpetuate the independence of the Hong Kong dollar and continue to strengthen international confidence in Hong Kong as a business centre.

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Our Business Profiles on Asian countries are just one example of the specialist service we can provide.

For our Profile on Hong Kong, write to our London Office at 99 Bishopsgate, London EC2P 2LA or contact us at any of our offices in Birmingham, Edinburgh and Manchester.

Before you look at Hong Kong again, see how many doors we can help you open.

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# "HONG KONG OFFERS GREATER MARKET POTENTIAL FOR U.K. EXPORTERS THAN EVER BEFORE"

Lord Limerick  
Chairman of the British Overseas Trade Board

Hong Kong is a market worth £15,500,000,000. Its total imports in 1981 reached £12.6 billion and are projected to reach £15.5 billion this year.

Apart from U.K.'s domestic exports to Hong Kong, the U.K. order book for capital goods in Hong Kong has never been so full. Hong Kong's imports of capital goods in 1981 totalled £1.8 billion with U.K. taking a £260 million share of this. Contracts for capital equipment and engineering consultancy, both for private and public developments in Hong Kong, will offer many new opportunities for U.K. businessmen in 1982/83.

These developments will involve contracts worth an estimated £2 billion.

Apart from the capital goods sector, tremendous potential also exists in a number of fields within the raw materials and semi-manufactures sector amounting to 40% of Hong Kong's total imports.

Hong Kong's total imports of fabrics and yarn alone accounted for £1.8 billion in 1981.

## The Facts

Recent development projects contributing significantly to U.K.'s earnings from engineering consulting services in Hong Kong included:—

	£ million
— Replacement airport	525
— Sewage treatment work	176
— New town and other developments	640
— Mass Transit Railway extension	645
— Power station	310
— Aqueduct	118
— Cement plant	80
— Roadworks and fixed crossing	365
	<b>£2,859 million</b>

## The Future

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May 1982.

The Shareholders of UBAN-Arab Japanese Finance Ltd. have resolved at an Extraordinary General Meeting held on 8th March, 1982, to increase the authorised and issued capital of their Company to HK\$100m, of which HK\$75m has been paid. A further tranche of HK\$25m is expected to be paid up early in 1983.

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David Freud examines the territory's financial services.

Although helped by its role as an off-shore base for Tokyo

Hong Kong has established robust markets on its own terms

HONG KONG is an international financial centre of growing importance. Its main rival in the Far East has traditionally been portrayed as Singapore. But the territory's continuing success is probably far more dependent on events to the north, in Japan.

In several areas Hong Kong has seized a role as an off-shore base for Tokyo markets, and might be vulnerable if the Japanese authorities eased existing domestic restrictions.

Hong Kong is now the main syndicated loan centre in the Far East, for example, although the Japanese are considering establishing an offshore status for banks in Tokyo. International fund management in the Far East has been gravitating to Hong Kong, even though the bulk of investment is probably channelled into the Japanese market. The most dramatic example

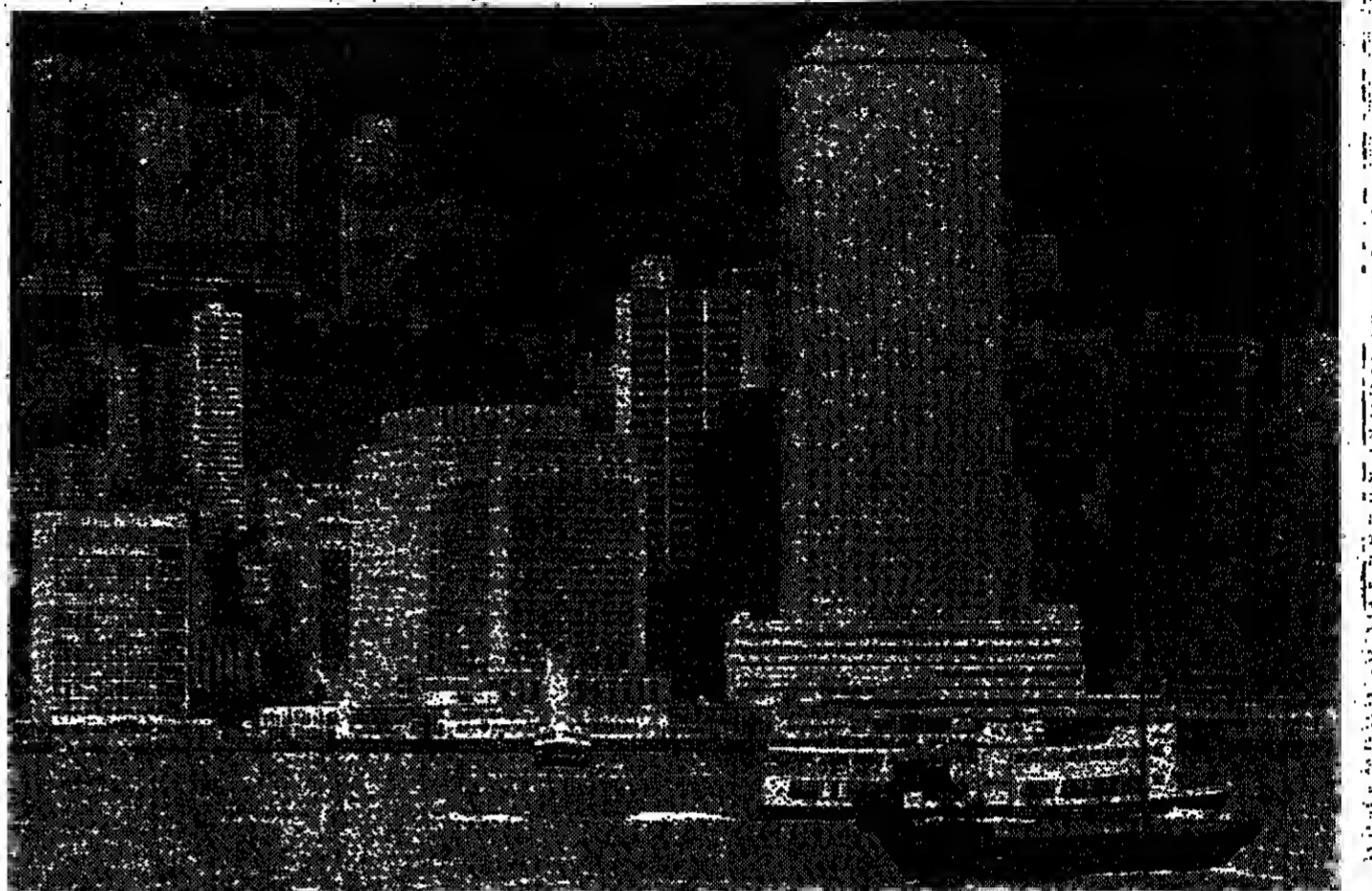
of the relationship is the Hong Kong Commodity Exchange, which has been revived from death's door by Japanese brokers and adapted to suit their requirements.

Elsewhere Hong Kong has established robust markets on its own terms. The 70-year-old Chinese Gold and Silver Exchange now provides support for the activities of a range of international gold market makers, while the stock market—presently split between four exchanges—boasts the highest liquidity ratio in the world.

As enduring as the myth about Hong Kong's rivalry with Singapore is the belief that the territory offers a capitalism untrammelled by rules and regulations. In fact, regulation has been expanding quite rapidly in recent years, although there is some way to go before standards match those in

Europe or the U.S. Nor is the existence of a banking cartel on interest rates—now coming under pressure—quite consistent with the image of red-blooded competitive capitalism.

In terms of international finance Hong Kong's main advantages have lain in the pro-business attitude of government, associated with a lack of political activity, and a simple and favourable tax environment. Once set in train the expansion of financial services acquires a momentum of its own. Nevertheless, mounting wages and rents—caused in part by the territory's popularity—have reduced some of the cost benefits that Hong Kong used to enjoy. Without some more formal arrangement with China as to what is to become of the territory at the end of the century, the quiescent political dimension could rebound with a vengeance.



View of part of the banking sector as seen from the ferry

Restructuring plan will bring drastic changes

THE BANKING industry in Hong Kong is halfway through a two-year restructuring programme, and the signs are that it will emerge from the process looking very different. More over it is likely that the outcome will not quite be what the financial authorities had in mind when they launched the reform programme last year.

More by accident than design, the cartel agreement under which banks operate seems to have been undermined. Mr Tom Welsh, chairman of the Hong Kong Association of Banks as well as a general manager of the Hongkong and Shanghai Banking Corporation talks of "stresses and strains" in the interest rate agreement.

Mr Colin Stevens, general manager of Barclays Bank International in Hong Kong is more forthright. "The recent agreement that there should be no cartel on deposits of HK\$500,000 and over really spells the death knell of the cartel," he says.

The original plan envisaged the creation of a three-tier banking system of banks, registered deposit-taking companies (DTCs) and licensed DTCs, each of which would have a defined sphere of operations. However, the original plan gave the best plum to the newly-created licensed DTCs which could pay market rates for deposits above HK\$500,000.

The banks realised that this would effectively hobble them in the key wholesale money area, and so earlier this year it was announced that the banks would no longer be bound by the interest rate agreement above this threshold.

This means that wholesale operations have been opened up far free competition, and the question is the speed and extent to which this will spread into the retail market. Such a development would cause a major shake-up in domestic banking in a territory in which there are getting on for 1,300 bank branches of one kind or another.

The restructuring plan was initiated by the success of the DTCs in taking deposits. There was concern among the banks that they were taking the lion's share of the deposit growth that was going. In 1981, for instance, DTCs deposits expanded by 42 per cent, while the growth in banks' demand, time and savings accounts was only 23 per cent.

Under the restructuring, the tier of registered DTCs will continue to observe the HK\$500,000 minimum for deposits, but will only be allowed to offer maturities of more than three months. This is a change that is likely to curb the activity of registered DTCs considerably, since in Hong Kong depositors like to keep their assets short and liquid. It may well be that the number of registered DTCs will

Table with 3 columns: DEPOSITS (HK\$m), 1979, 1980, 1981. Rows: Banks, Deposit-takers. Source: Hong Kong Government.

fall from the 350 level established at the end of 1981. The registered DTCs will have to pay more for their deposits, and they are likely to have to specialise in certain types of lending. Mr Kent de M. Price, senior vice-president of Citibank, believes that the registered DTCs will henceforth concentrate on mortgage finance and consumer lending.

While the banks will see less competition from this area, they will be in direct conflict with the new category of licensed DTCs for deposits above HK\$500,000, where, since March 1, the interest rate agreement has been lifted.

Since February DTCs have been granted licensed status on a batch-by-batch basis, and there should be about 20 by the end of the summer. Early names

BANKING INDUSTRY

were Jardine Fleming, Kleinwort Benson (HK), Nomura and Pierson Holding and Pierson. On this basis it looks as if the licensed DTCs will be the Hong Kong equivalent in standing to the London merchant banks. But they may well prove able to develop a formidable presence in the wholesale money markets, in competition with the banks, some of whose operations may be rather less efficient.

At the same time the moratorium on the granting of new banking licences in force since 1979 was lifted last year. So banking competition has increased with the entry last year of eight major international banks, particularly from Japan. Earlier this year a new local bank was licensed in the shape of Sun Hung Kai, the first for many years. The number of licensed banks in Hong Kong now stands at 125, of which 122 are operating.

While potential pressures are growing on the deposit side for banks, there are also signs that the handsome spread between deposit and lending rates may be beginning to be eroded from the loan side.

The banks have traditionally maintained spread of three points, between deposit and "best lending" rate. However,

the Hong Kong Interbank Offered Rate (Hibor) has traditionally been below "best lending" rate and is not controlled by the interest rate rules. There are signs that more and more loans are being arranged at this rate. "Many of the big syndicated loans and bigger loans not syndicated are now compressed in terms of Hibor," says Mr Welsh.

The licensing of new foreign banks and the liberalisation of the wholesale money market are signs that Mr John Bremridge, the new Financial Secretary, has more of an eye to the needs of Hong Kong as a regional financial centre than the calls of local banks for protection. Until now Tokyo has ruled itself out as a banking centre for the region, and Hong Kong stands out as an obvious alternative, backed by the huge money flows associated with its role as an entrepot for China's international trade.

The other main rival is Singapore, which had been enjoying an artificial advantage until recently due to Hong Kong's imposition of a withholding tax on foreign currency deposits.

The banking industry has been urging the authorities to relax the withholding tax for several years. Last February in his Budget speech Mr Bremridge announced that the 15 per cent withholding tax on foreign currency deposits would be withdrawn immediately, while the rate on Hong Kong currency deposits would be reduced from 15 per cent to 10 per cent. The results have been dramatic, with bankers estimating that foreign currency deposits rose by 20 or 30 per cent in the first couple of months.

It is still too early to say to what extent this was a one-off shift back home of deposits held abroad by local residents. It is likely, however, that more international money will find a home in Hong Kong, and that the territory's status as a funding centre, negligible until this year, will be enhanced.

This in turn will boost Hong Kong's already strong position as a regional centre for loan syndication. Until now the pattern has been for Singapore to take predominance in funding centre terms, and for Hong Kong to have the edge when it came to loan syndication.

One syndication banker estimates that, wherever the loans may be booked, well over half of the work in arranging loans in the region is undertaken in Hong Kong. The banks heavily involved in syndication include big U.S. names, like Chase, Manhattan, Citibank, Manufacturers Hanover, and Bank of America.

From the UK, Lloyds Bank International, the Midland and NatWest are active as are French and West German banks. The size of the loans are going up, while countries like Sri Lanka, India and Papua New Guinea are raising their profiles in the market. Nevertheless there are a lot of banks chasing the business, so rates tend to be fine.

Fine rates in the Asia-dollar market mean that it is scorned by local banks like the Hongkong and Shanghai, since domestic retail banking can be so profitable. According to Mr Stevens all the nine branches so far established by Barclays Bank International have been profitable within a year of opening.

The Hongkong and Shanghai Bank's results underline the benefits of operating in an expanding economy. Between 1979 and 1981 its earnings per share have grown at the rate of 35 per cent compound annually.

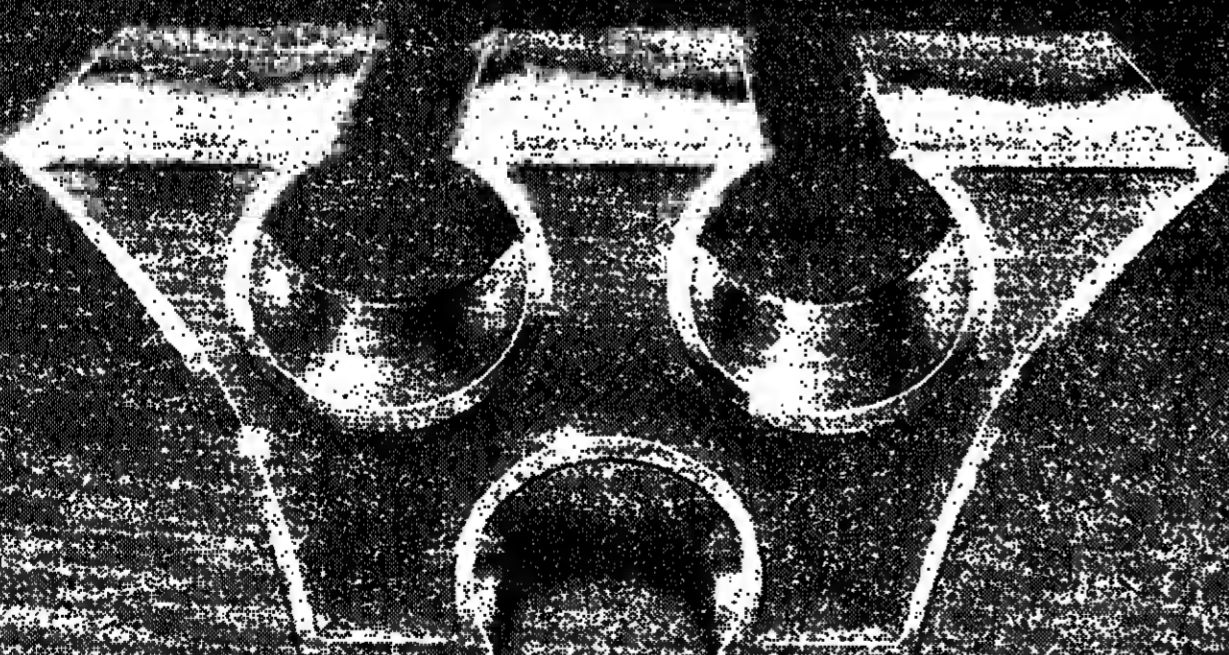
Unlike the UK, current accounts represent only 14 per cent of Hong Kong banks' retail deposits. Nearly half the total is held in savings accounts, which currently offer a 10 per cent rate of interest, and from which instant withdrawals can be made. So Hong Kong tends not to be a cheque-book society. Instead, customers usually draw out cash from their interest-bearing savings accounts when they want to spend.

Branches can be open to 11 pm to supply cash requirements, and of course the more branches it has, the more attractive a bank is to its customers. On the other hand, these extensive networks are extremely expensive.

If interest rates drop, and the pressure on the interest rate cartel intensifies, there might have to be some retrenchment in branches. Already there are mutterings about introducing bank charges on the lines of the UK.

Meanwhile, the chairman of the Hongkong and Shanghai Bank has warned shareholders to expect a slower rate of progress this year, which underlines the slowdown in borrowing in the territory in the light of high interest rates. For some banks, which backed untried property developers in the recent boom, there might be some bad debts coming home to roost.

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HONG KONG VIII

Travelling down the Western road



Mr Robert Fell: happy with the market mechanisms

HONG KONG'S HEALTHY appetite for the good things in life means that it has four stock exchanges...

broker arrangements will be maintained and there could possibly be an electronic means of matching bargains and settlements...

The free-for-all in stock trading came to an abrupt end when the market collapsed in the mid-1970s...

will be there with statutory power in the background, in a monitoring role.

It is not yet certain whether an initiative to obtain share disclosure will be launched.

UNIFICATION DAVID FREUD

For a population of 5m, four separate exchanges was clearly an unnecessary extravagance...

the existence of four exchanges was an anachronism reflecting personality conflicts more than anything else.

"It will be much better to have an unfragmented market; it will cut down rumours, allow computerised settlement and a better index," said Mr Heath.

At one stage there was concern that foreign brokers—essentially those based in London—would be excluded from membership...

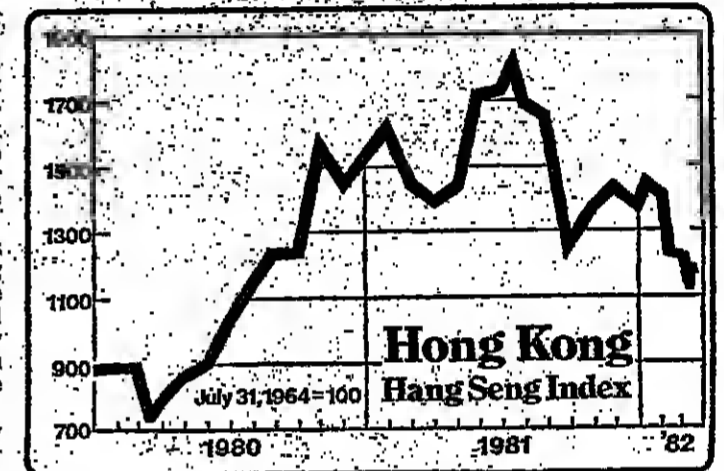
The Commission was also left looking ineffective in the summer of 1980 in the takeover battle between Hong Kong Land and Sir Yue-Kang Pao for the control of the Hongkong and Kowloon Wharf and Godown Company.

This followed a particularly flagrant operation when 82 per cent of the shares of a small company on the Kowloon Stock Exchange...

A lot of people oppose such a change, and Mr Fell himself admits that some responsible arguments can be made against it.

Property sector still dominates equities

THE STOCK MARKET in Hong Kong is a volatile place, but much less so than it used to be.



The property sector dominates Hong Kong equities, accounting for perhaps 60 per cent of the total.

Table with columns: Year, Total turnover HK\$m, Hang Seng Index (1981=100)

and no withholding tax on dividends for foreign investors.

A rapidly expanding money supply fuelled a runaway property market in late 1979-80, and last spring the stock market was further stimulated in spite of the high level of interest rates...

extent of cross shareholdings within the company sector.

Many property men believe that it will be between three and five years before the property sector picks up again.

At the same time as the stock market was reaching its peak, the gap between U.S. and local interest rates had widened to 3 1/2 percentage points...

Meanwhile, the speed of the economic growth since the 1950s means that the founders of many major companies retain controlling stakes.

So where does the market go from there? The Hong Kong economy may be slowing down by its own standards, but it still means an official forecast of 5 per cent real growth in G.I. this year.

The implications of this were absorbed by the stock market from August onwards, with a particularly severe collapse in September.

Information is poor, and the company accounts can be obscure to downright misleading.

At about 12 per cent, inflation rate is still high, but it is well down from the peak of 17 per cent, and falls the growth in money supply likewise well down from pe levels.

SE TRENDS DAVID FREUD

corrective measure in October, when it "persuaded" the banks to raise prime lending rates by 2 points to 20 per cent.

On a more positive note, however, the market is liquid and sees a high level of turnover by comparison with other stock exchanges round the world.

So, at current levels, it loc as if the Hong Kong market found its equilibrium but so shock collapses in the proper sector later this summer.

The property market, which had come off the boil by the beginning of last year, stopped dead in its tracks.

The high level of turnover is concentrated through a 0.5 per cent brokers' commission, while stamp tax on each transaction is only 0.3 per cent.

It is noticeable that any lapses have been taken as immediate buying opportunity in recent weeks by the institutions.

The shake-out was exacerbated by the prevalence of margin trading, while a HK\$9.6bn stream of rights issues and flotations over the year did little to underpin prices.

There is no capital gains tax

Since October the market has fluctuated between 1100 and 1450, and in this area seems fairly solidly based, unless there is a shock like a couple of second-line property companies going under.

Sun Hung Kai Securities estimates that profits should rise by 15 per cent this year, which compares with 80 per cent in 1981.

Dependence on property developers is not the sole cause of the Hong Kong market's volatility.

Forex Group of Companies and Banco Hang Sang, S.A.R.L. advertisement with logos and contact information.

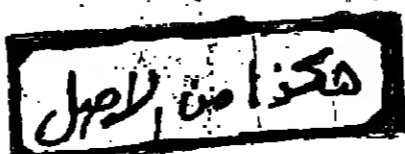
Jardine Fleming

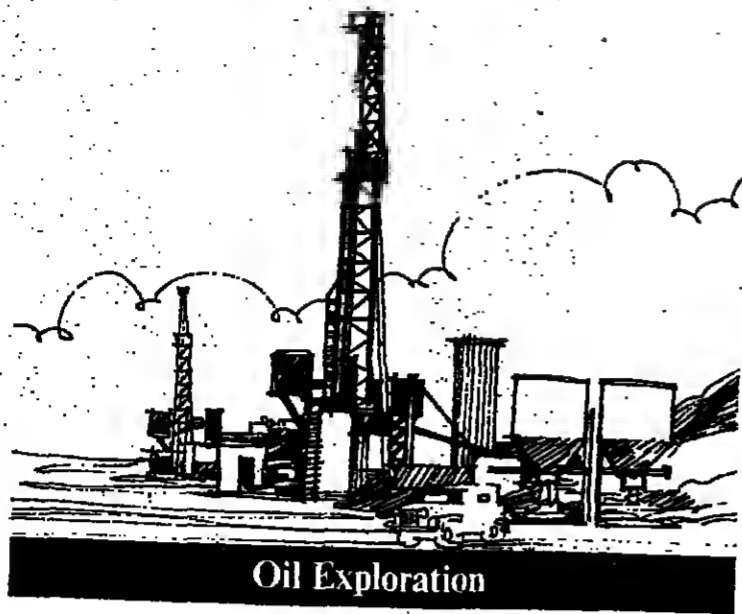


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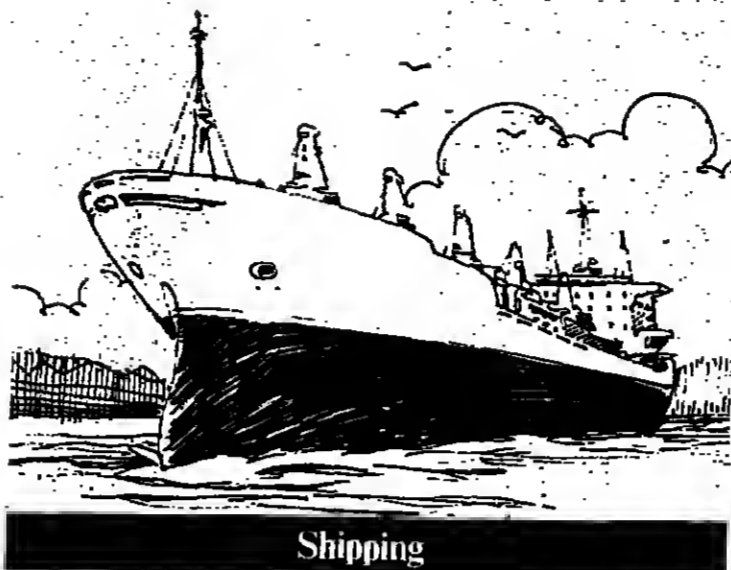
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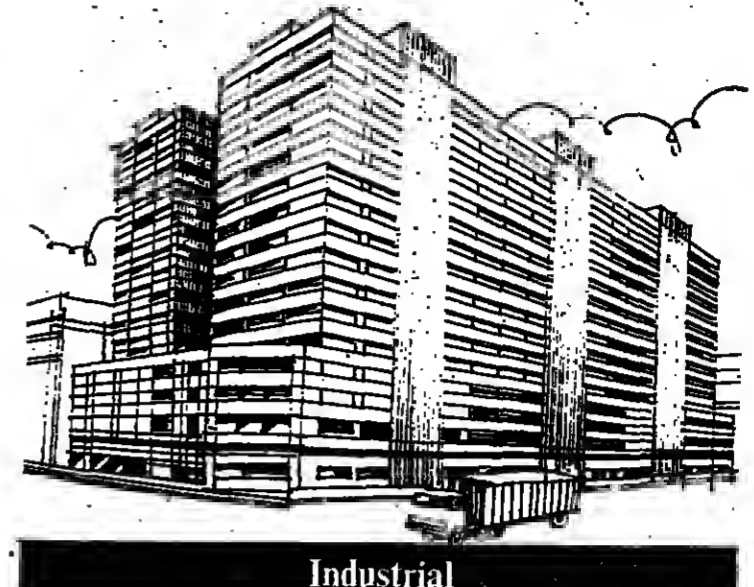




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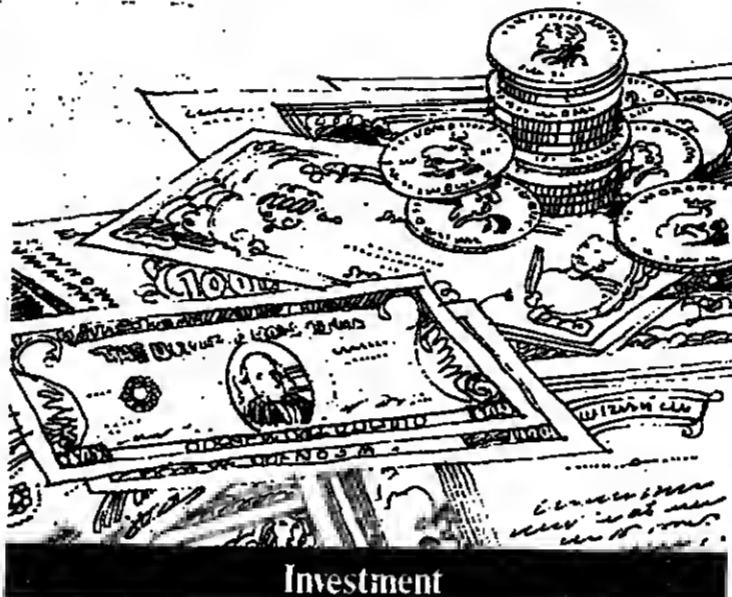
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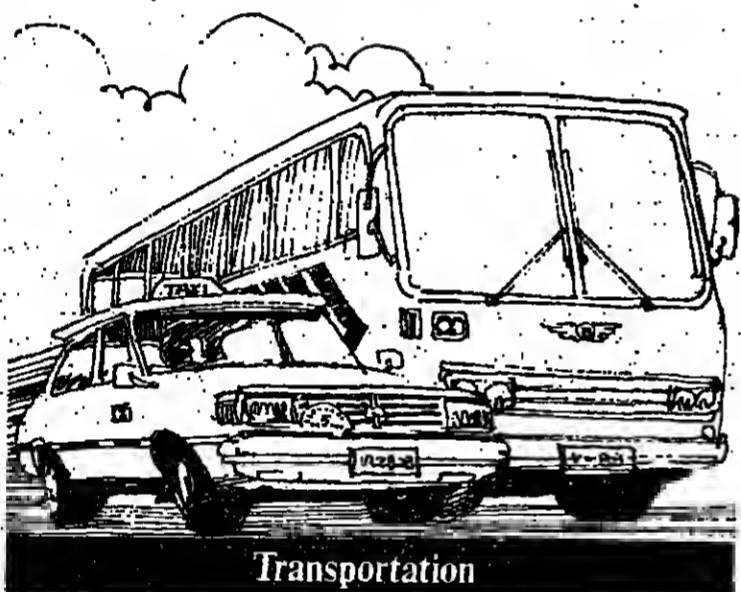
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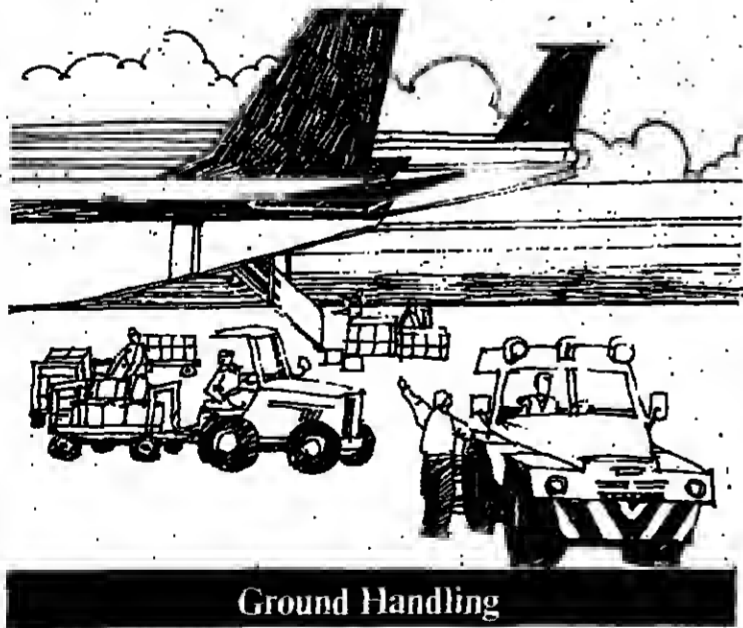
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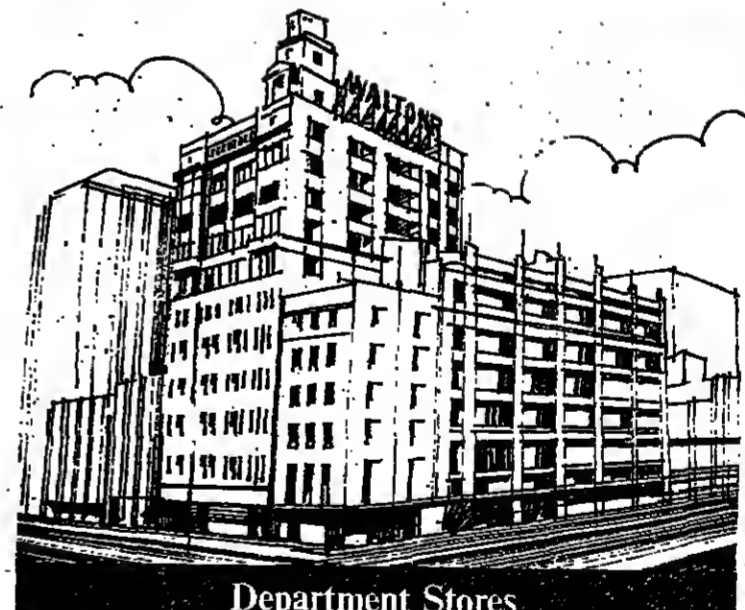
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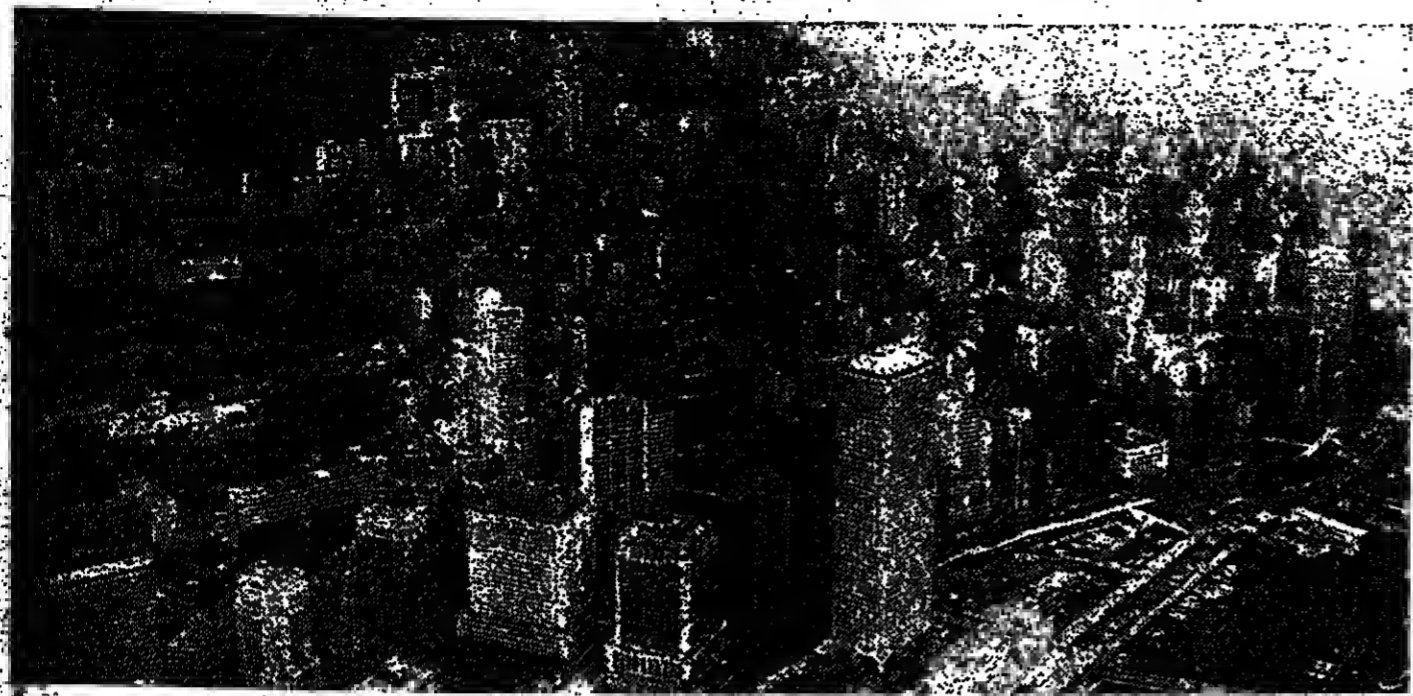








# Blue chip company scorns its complacency critics



An aerial view of Hong Kong with Connaught 1 dominating

HONGKONG LAND is one of the world's largest property companies and as such inevitably attracts its fair share of criticism as well as praise.

The critics believe that any company of Hongkong Land's size must generate a comfortable complacency and they see it as an organisation which has transcended the realms of vulnerability which keeps most companies on their toes.

As one put it: "The Land Company has the power to decide what location constitutes prime merely by deciding whether or not to be there. It can set rents by boardroom decisions rather than by taking account of the state of the lettings market."

Such observations receive scant treatment at the hands of Hongkong Land, which accepts it represents the blue chip investment in Hong Kong, which undoubtedly develops and owns the best buildings and which, without question, has enormous financial resources and an excellent track record.

Any suggestion of complacency, however, meets with predictable scorn and it is, indeed, hard to justify after a look at the present scale of its ambitious development programme and a taste of the enthusiasm with which it conducts its business.

The Hongkong Land diary of events for the last 18 months contains some impressive entries. It started work on the 600,000 sq ft Edinburgh Tower, a vital component in its massive Landmark Centre in Central district, took a 35 per cent stake in the HK\$2.5bn Miramar Hotel site, purchase, acquired stakes in Hong Kong Telephone and Hong Kong Electric and paid

HK\$4.75bn for the last remaining prime chunk of development land in Central. The group has never been slow in acquiring property interests which can enhance the value of existing investments and the purchase of the so-called Connaught II site is just such a case.

A three-tower office scheme providing about 1.28m sq ft of lettable floorspace is to be developed alongside Land's existing Connaught I office complex and the two schemes are to be brought together and rechristened Exchange Square. The Connaught I tower is to be relet externally.

On a smaller scale, the group has recently paid HK\$500m for the Bank of Canton building in Des Voeux Road, which it will redevelop along with a site it already owns on the same block.

The extent of the group's influence on the local property market is underlined in figures which show that about 23m sq ft of the 43m sq ft of prime floorspace due to come on to the Central Market through a series of major development schemes between now and 1987 will belong to Hongkong Land. Its prime portfolio in this area alone will then total over 5m sq ft of lettable accommodation.

The group accepts that the local property market is now experiencing a more difficult phase in its volatile history, but firmly believes that its long-

standing policy of concentrating on prime locations, first class properties and the highest standards of professional management will ensure sustained demand for its properties.

Present trends could, in fact, provide the group with a positive advantage as tenants have the benefits of good property and good landlords driven home to them by the misfortunes of others. A minimal vacancy rate would, so far at least, appear to bear out that conviction.

Hongkong Land also makes considerable capital from the fact that, given the recent sharp increases in rental levels, around half of its portfolio is let at levels well below current market rentals, implying a substantial upturn in earnings once reviews—three years is the norm—come through.

Hongkong Land has close and long-established ties with another Hong Kong corporate giant, Jardine Matheson, an arrangement which took a major step forward towards the end of 1980 when the two groups established 40 per cent cross-holdings in each other's operations.

It is an arrangement which has come in for some criticism, with the move clearly designed to prevent third-party bids but arguably providing few other tangible benefits. Hongkong Land remains principally a property development and investment operation, though its empire now extends to the ownership of food, trading and distribution, hotels and public utilities.

The group's profit record is no less impressive than its stock of prime floorspace. In 1981, it recorded consolidated net profits of HK\$1.43bn, up

no less than 134 per cent from 1980. Total assets exceed HK\$26bn and its interests extend to 13 countries in the region.

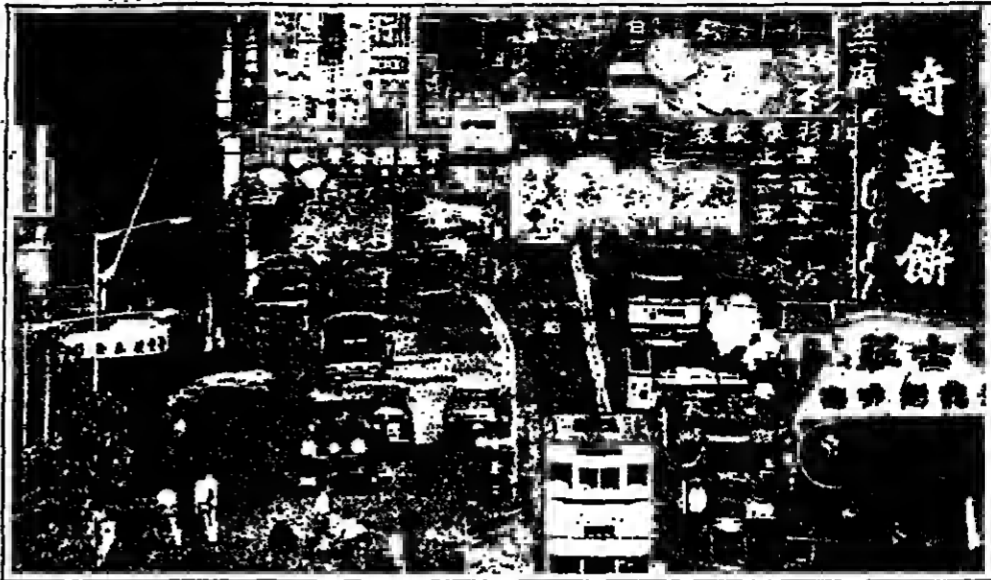
As far as development activity in Hong Kong is concerned, the cost and scale of projects—together with the shortage of land—makes it likely that joint venture partnerships will continue to represent a major option for the group. Last year, Hongkong Land entered into a further nine such arrangements, bringing the total in the colony to over 30 and involving the provision of more than 10m sq ft of floorspace.

Hongkong Land sees its principal attributes as recurring quality earnings from a top quality portfolio (in marked contrast to some troubled companies whose earnings have been predicted, almost totally, on trading activities, the group's trading operations currently provide about 30 per cent of profits) and the resources and experience to tackle any development challenge worth taking on. With more than 60 development projects at varying stages of completion, the strains are showing through and the group now admits to be stretched managerially.

Hongkong Land remains a fundamentally Hong Kong-based group, with 90 per cent of its assets and profits related to the colony, but it has also embarked on further overseas activity and is concentrating its efforts in Australia, Singapore and North America.

Although it is not revealing too many details yet, the group has characteristically big plans for Denver and possibly Houston and Vancouver. The Denver joint venture should be announced soon.

# Keeping Asian and Arab money markets in focus requires a special point of view



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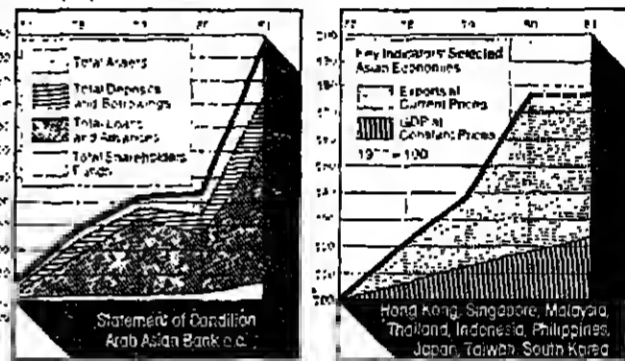
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# Medium-term future depends on MTR deals

THE NAME of Hang Lung, a property development and investment company started up by two brothers in the early 1960s, has recently threatened to dominate the Hong Kong property scene.

Hang Lung's emergence as the leading partner in three separate consortia appointed to carry out all nine of the Mass Transit Railway Island Line station contracts so far awarded has been the centre of much interest and not a little controversy.

Syabrows have been raised over the group's financial stamina in respect of the massive capital commitment involved in the Island Line scheme. There have also been rival mutterings about the outcome of negotiations over land premiums between the MTR authority and the government, which have gone in Hang Lung's favour.

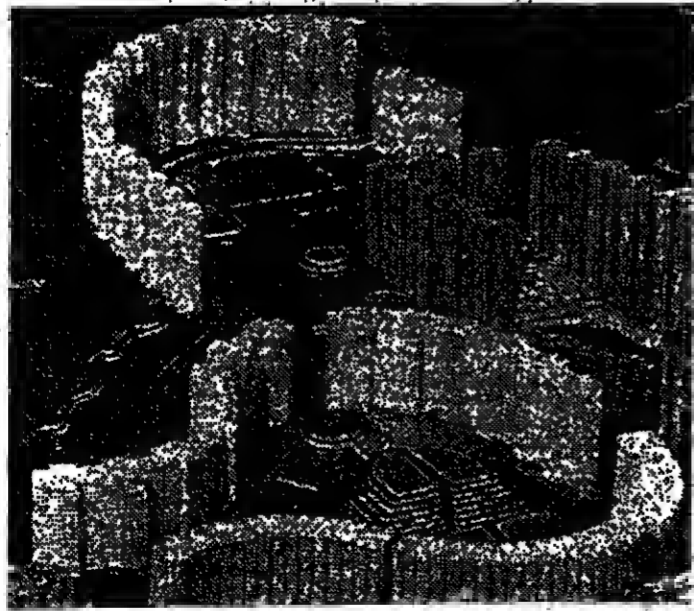
Hang Lung is undeterred, highly delighted with its coup and determined to convert its tendering success into one of Hong Kong's more outstanding speculative ventures.

It began life determined to build up a healthy source of recurring income which it had succeeded in doing by the time it went public in 1973. But in gaining this objective its results suffered at a time when many competitors were concentrating on development and trading.

The group took a long hard look at a large land bank, held at historic costs, and began to take a much closer interest in developer-trading activities.

By the time the MTR contracts came along, Hang Lung was in the market for large-scale developments, as witnessed by its extensive residential development programme and the present construction of the Argyle Centre Tower I in Mongkok, originally intended as an investment but in which all the office space has been pre-sold.

About 70 per cent of the retail floor space has also found



A proposed development by Hang Lung at Kornhill

## HANG LUNG

buyers. Most of the group's 1982 profits—they could rise to HK\$ 550m against HK\$221m in 1981—are expected to come from these transactions. Hang Lung is also involved in the development of Argyle Centre Tower II, due to be completed next year.

But it is the MTR contracts on which the group's medium-term future hangs and there have been fears over its extensive commitments at a time when the property market is having a rough ride and the group's borrowings have risen sharply to more than HK\$ 1bn, over 11 times shareholders' funds.

But Hang Lung is by now used to the arguments and is well prepared with the answers. It points out that although the

total costs of construction and land premiums are expected to reach a massive HK\$ 10bn, its own share of costs will only reach around one-third of that figure.

Development of the island line sites begins in earnest next year, but the group emphasises that the construction periods will not be concurrent and it describes the programme as "a comfortable seven-year commitment."

There is also the prospect that with property values weakening, some of the land premiums payable to the government and now under negotiation could be lower than the figures originally built into costings, to the benefit of Hang Lung. In one case, this has already happened. Another six station sites have yet to go out to tender and Hang Lung may be back for more.

The group is looking for a sizeable cash flow from exist-

ing development projects over the next 18 months to two years to help it to finance the MTR programme. It is also well aware that its existing land bank will be substantially developed in the next three years and its new commitment to the Island Line will extend its work programme into the late 1980s, making it one of the few Hong Kong property companies with any clear development plans beyond 1984.

As for the prospects for the resulting mixed developments, Hang Lung is confident of their success. It believes that the gradual transfer of passenger traffic away from the congested roads to the MTR system will ensure that scheme will be viable.

Hang Lung intends, with its consortium partners, to sell off the completed developments, although it is not discounting the possibility that it may itself end up by purchasing some of them for inclusion in its investment portfolio.

Elsewhere, the group is participating in a number of commercial and residential developments in Kowloon and Hong Kong Island and also in a few smaller industrial projects. Total floor area under or pending construction now exceeds 8m sq ft.

The group's controlling interest in Amoy Gardens, whose main attraction lies in its property assets and a plan to move its food canning activities to the New Territories, should provide further scope for developments in Kowloon.

Although Hang Lung's rental income will provide a decreasing proportion of total earnings over the next few years, as development profits come in, they could be as high as HK\$ 1.5bn from the Island Line contracts—it has built up and intends to maintain a high quality rental portfolio.

This portfolio now covers well over 1m sq ft and substantial income growth is expected.

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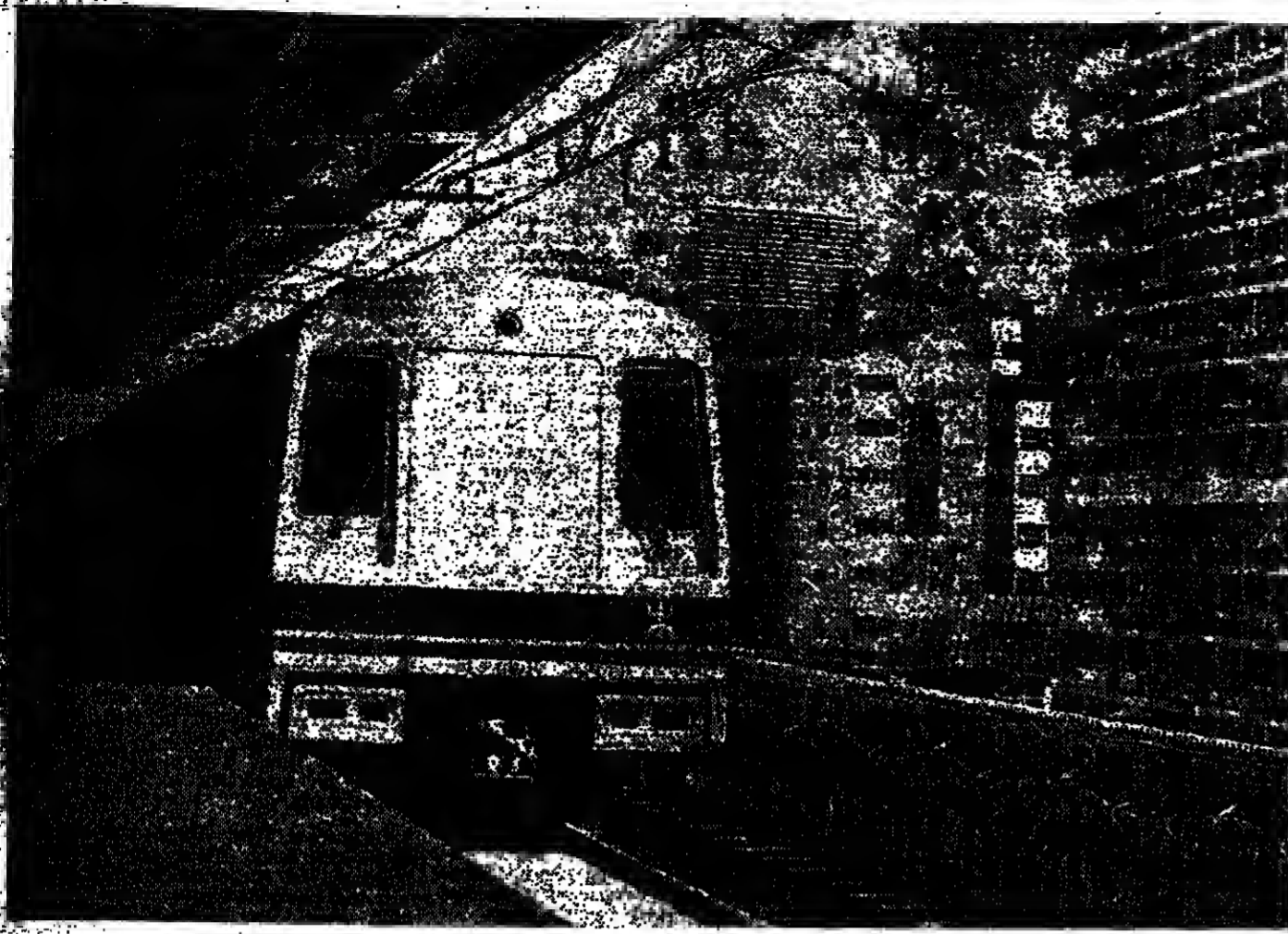
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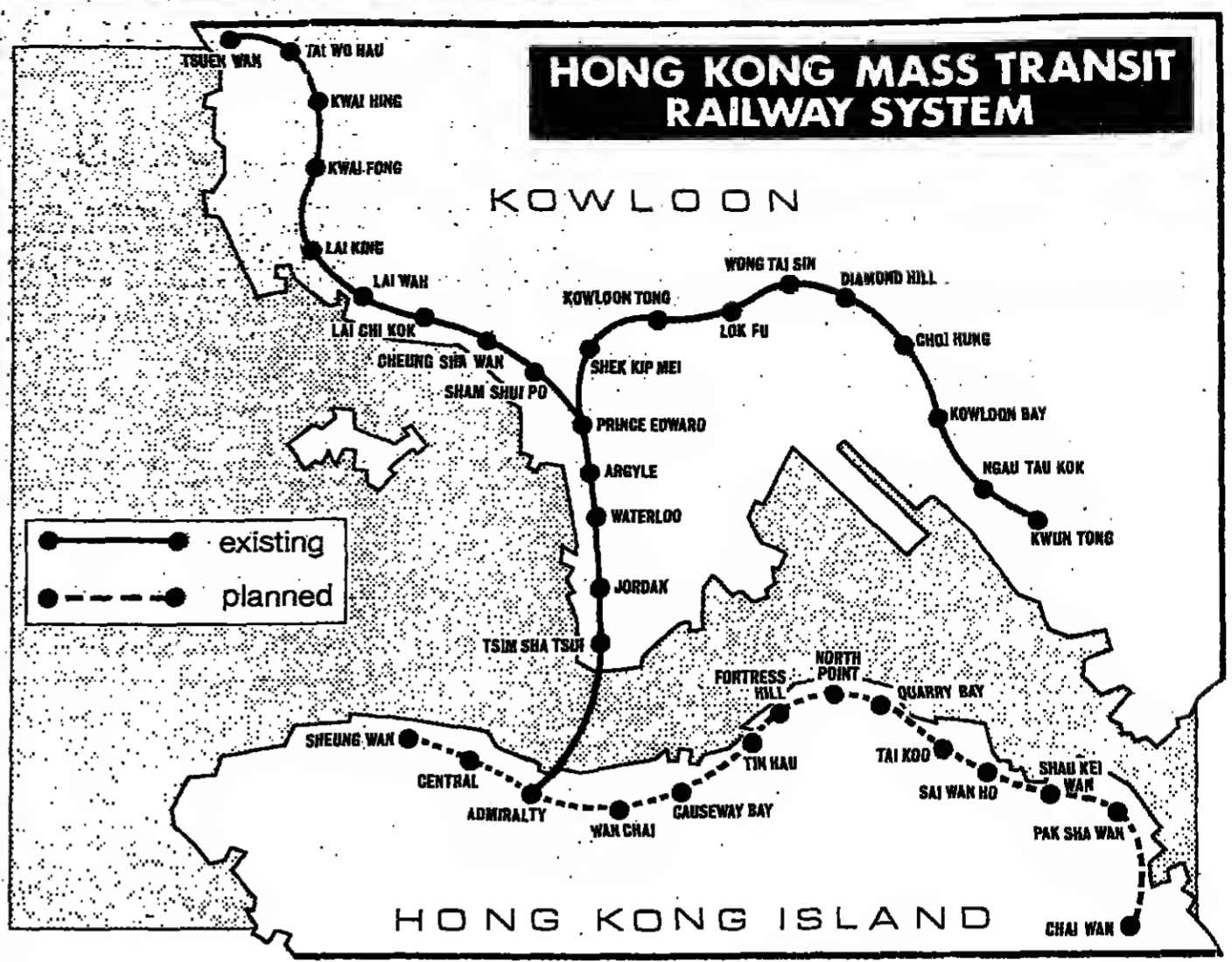
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السنة الأولى



An MTR car at Kowloon Bay Station. British company Metro-Cammell are making the 210 cars ordered



# Solace for commuters in an advanced transport system

WITH ROADS in the heart of Hong Kong almost permanently paralysed by bumper to bumper queues, turning potentially short journeys into tiresome marathons, the present development of the Mass Transit Railway system cannot have come a moment too soon.

Hong Kong is choked by traffic and the semi-permanent congestion provides an ironic contrast to the pace which the remainder of the colony's activities manages to maintain.

Even more disturbing, however, is the realisation that such a situation is not only a time bomb; it is also a time bomb which is ticking. The 700 km of roads on the island and in Kowloon are already incapable of coping with the flow of traffic which is expected to increase by 20 per cent in the next five years. The 1981 budget for new road schemes, improvements and maintenance of HK\$ 737m.

Recent proposals announced by the Transport Secretary to triple annual licence fees, double registration taxes and

raise duty on light oils by 40 per cent are a measure of the concern which the traffic problem now arouses, though their longer-term impact on the position is questionable.

It is against this background that the Mass Transit System—not universally welcomed in Hong Kong—is now being developed at a rate which underlines the urgency of the local transportation crisis. The first section of the system, which has 15 stations and links the east Kowloon area by a harbour tunnel to central district on Hong Kong Island, started full operation in February 1980 and the arrival of the Modified Initial System (MIS) has had a significant impact on the lives of many commuters.

During 1981, the MIS carried over 223m passengers, more than for example the comparable system which has operated in Sao Paulo, Brazil, for six years.

The growth in passenger traffic has built up steadily and by the end of last year had risen above 700,000 a day.

Although the continued increase in numbers is regarded as satisfactory by the Mass Transit Railway Corporation, which in December completed its first fully operational financial year there is some disappointment that traffic carried has fallen short of the original theoretical projection of 1m passengers daily.

The corporation accepts that part of the shortfall may be attributable to some undue over-optimism in the early stages but it is equally well aware that competition from buses on routes which parallel the railway has been intense.

The supply of bus feeder services in particular has been lower than expected and the corporation is now saying that if the bus companies cannot or will not provide the necessary supporting services, then it will have no alternative but to help itself.

The expansion of the transit system reached a milestone in May, with the opening of its second leg, a 10.5 km line which runs from the north west New

Territories at Tsuen Wan down to the existing MIS network. The extension was not due for completion until December 1982 but construction progress went well and enabled the opening to take place six months ahead of schedule and within the projected budget of HK\$4.1bn.

Addition of the new line, with nine additional stations, in 1985-86 and is being developed at a projected cost of HK\$1.1bn.

The corporation's equity backing comes from the Government—its current stake stands at nearly HK\$5bn—but it is also deriving a significant proportion of the required funding through joint venture interests with property developers who are developing commercial sites over the Island Line stations.

Developers tender for the work, provide the necessary funding and an MTR station as an integral part of the development, and then share in any arising profits with the corporation. The corporation says its conservative estimate is that the development partnerships will yield profits equal to somewhere around 40 per cent of the Island Line's construction costs. Funding will also come in the form of export credit finance from the UK, France and Japan, at fixed rates of interest.

So far, nine of the Island Line station site contracts have been awarded, with five left out-

standing. Agreements signed in 1981 will provide about 43m sq ft of office and commercial floorspace and over 8,000 residential apartments. The developments will come on to the market between 1984 and 1988, with the exception of Cotton Tree House in Central—a 225,000 sq ft gross office and shopping complex—which will be completed later this year.

The fact that all the contracts let to date have gone to consortia headed by Hang Lung, one of Hong Kong's largest development groups, has been something of a local talking point, not least among competing developers who have claimed that Hang Lung has encountered some very favourable contractual conditions when it comes to meeting its extensive commitments.

In particular, the corporation lodged an appeal against the premiums which are payable to the Government as freeholder for the development of the two sites, which mean the premium payments were delayed. In one

case, the premium has been reduced in the face of weakening property values, although the corporation emphasises that its actions have been correct throughout and that they bestowed no unfair advantage on the consortia leader.

As for the corporation's future, the recent additional injection of Government cash (Government guarantees for MTR debt will rise from just under HK\$ 4bn this year to HK\$ 6.8bn in 1986) has helped reduce its loan-equity bearing ratio from 8:1 to 2:1.

In 1981, the corporation showed a HK\$ 491m net loss, marginally down on the previous figure and it says that steady progress is being made towards the longer-term requirements of making the railway self-sufficient in financial terms. In recent months the MIS has been making a cash surplus after charging all cash outgoings including loan interest but the opening of the Tsuen Wan extension and the substantial increases in related expenditure will have reversed that position.

A return to cash surplus is, however, projected towards the end of 1983, although interest rates will have a significant bearing on the outcome.

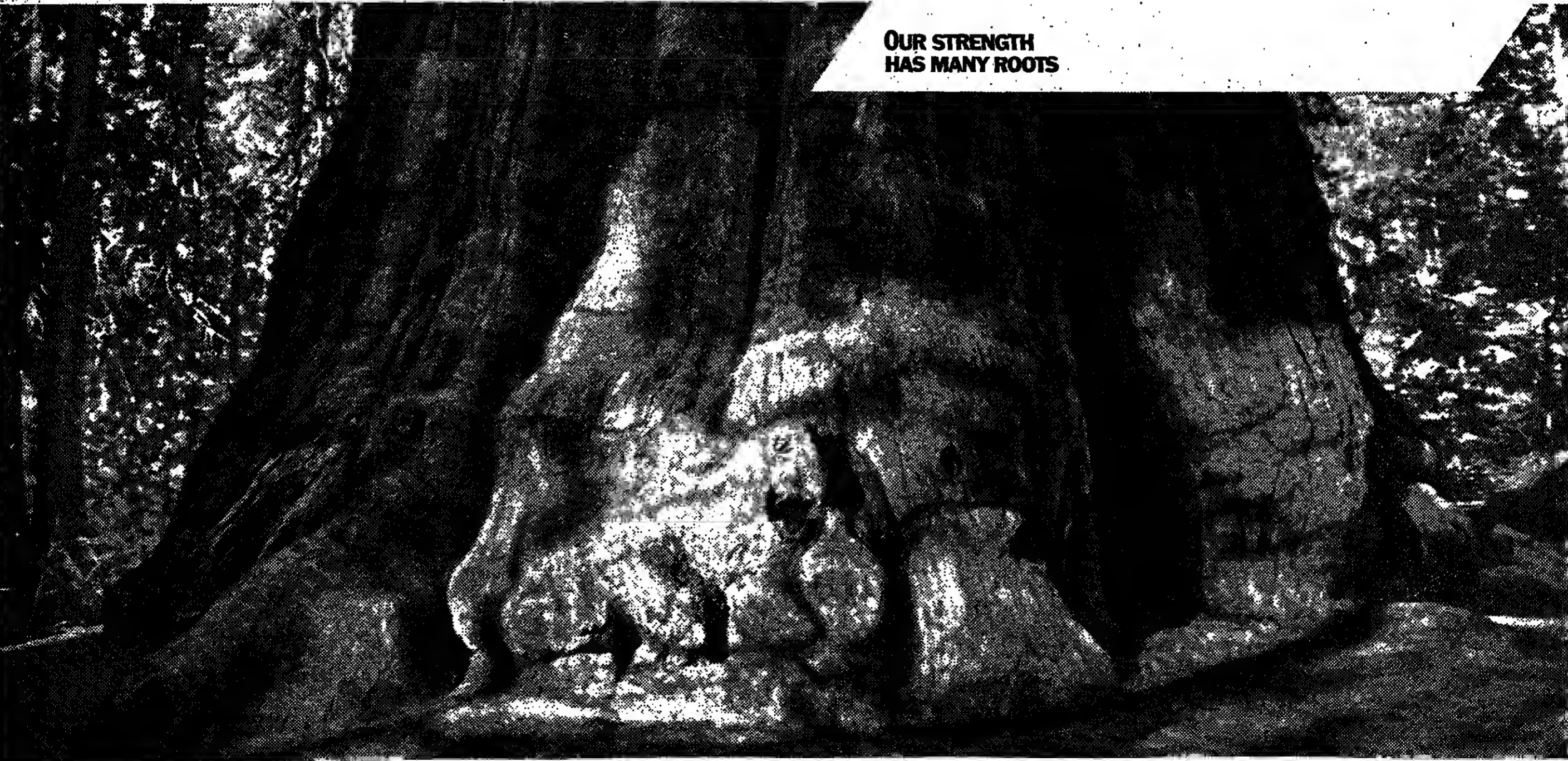
The corporation believes, however, that there is every likelihood that the combined first two stages of the railway network will achieve profitability before the Island Line opens in 1985.

A ride on the MTR makes such ambitious seem entirely reasonable. The railway—rolling stock courtesy of Metro-Cammell—is clean and fast and fares are relatively low. Many passengers use stored value tickets, which the corporation says are attractive because of their inherent convenience and flexibility.

The trouble is that plastic tickets are also literally flexible and it did not take the corporation long to find out that a train full of passengers all flicking them between their fingers not only damaged the ticket but created a fearful din. A HK\$1,000 fine for "offenders" was quickly introduced and the clicking stopped.

**MASS TRANSIT RAILWAY**  
 MICHAEL CASSELL

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50 من اصل

# Militant leader in Brussels talks

HONG KONG holds the key to the outcome of the third, 1982-84, Multi-Fibre Arrangement (MFA) that is now being negotiated in Brussels, between the EEC and the 25 mainly Third World textile exporting nations concerned. It is not the only key, for rather like a nuclear weapon, there are all too many detour keys in other hands. But, for a variety of reasons, Hong Kong's role in the world textiles pact, backed by the General Agreement on Tariffs and Trade governing an estimated \$300 billion worth of trade is crucial.

Hong Kong is the unofficial yet acknowledged leader of the four "dominant" producers that account for over four-fifths of all MFA garment exports to the European Community. Taiwan is regarded as the second largest, followed by India and South Korea. Hong Kong's British dominated civil service for a negotiating lead.

As for the other MFA signatory countries, they are attempting to strike bilateral MFAs with the European Community, many of them see the deals to be achieved by the dominant suppliers with the EEC as a vital factor in shaping the deals they will themselves receive.

It is no secret that Hong Kong is also an increasingly militant leader. On June 15, just a fortnight after arriving in Brussels to open talks with the European Commission, the Crown Colony's impressive 17-man delegation flew home to await fresh proposals from the EEC that could form the basis of more fruitful negotiations at a later stage.

It was, not, both sides stressed, a "walk-out" in the classic sense of the term; but with the EEC's demand for a cutback of up to 12 per cent in some of Hong Kong's major garment export categories having been rejected out of hand, it was at very least a "walk away" from the negotiating table.

Hong Kong could not, of course, have afforded such a militant posture unless it had already been assured of significant backing from other MFA producers. That India's negotiators had a week before returning to New Delhi in similar circumstances and that both the delegations of Malaysia and Singapore were also understood to be packing their suitcases strengthened Hong

Kong's resolve. Commission officials, who had known that the restrictive negotiating mandate handed down by EEC member states would ensure extremely tough talks, but who had nevertheless hoped for a single negotiating session with each MFA country, conceded that an unscheduled "second round" of MFA bilaterals with the hardliners would now be required in August and September of this year. Not too much should be made of the skirmishing victories against the EEC won by these and other MFA

## MULTI-FIBRE ARRANGEMENT GILES MERRITT

textile exporting countries in the opening stages of the bilateral discussions. The European Community is the principal importer in the MFA framework and is well aware of its strength. Technically, it has until the end of 1982 to play a waiting game and force the hungry textile exporters back to Brussels for the existing bilateral deals struck under MFA II do not run out until then.

Practically, the industrialised Common Market countries being represented by the Brussels Commission do not hold all the high cards. For the June 1982 creation of a "second round" of MFA talks was by a number of accounts no accidental flash in the pan, nor is the EEC's political position as the powerful "client" of the MFA countries so unassailable as is sometimes suggested.

The common front being presented to the EEC by the MFA hardliners dates back to November 1980—although it could equally be said it stems from 1977 and the imposition of a stern MFA II package by the EEC that reversed the original 1973 MFA's character as a system for liberalising and encouraging the Third World's textiles export earnings. It was, however, the agreement of most MFA exporters on the Bogota Paper some 18 months ago that forged a new solidarity which, then as now, is aimed at denying the EEC the use of "divide-and-rule" tactics. Forged to some extent out of Indonesia's successful

challenge to the "reasonable departures" restraints being imposed on it under MFA II—the Jakarta Government held to ransom a mix of unrelated British capital projects until it gained satisfaction—the textile exporters' Bogota blueprint is for a collective stand against EEC protectionism.

A glance at the potential damage to Hong Kong's still thriving economy—vastly more resilient than those of most of its MFA allies—gives an indication of how much the textile and garment exporting countries have at stake. Over 40 per cent of Hong Kong's domestic export earnings, and almost precisely the same proportion of its manufacturing sector employment of 1m people, is accounted for by textiles and clothing.

Almost a quarter of the Crown Colony's gross domestic product is in the industry, and such have been Hong Kong's efforts to trade upwards into the quality end of the clothing business to escape competition from cheaper producers, it is now being calculated that cuts in its volume of sales to the EEC would have a disproportionately harsh effect on overall export earnings.

In other words, a 10 per cent cutback on the Crown Colony's level of some HK\$10bn worth of clothing and textiles sales to the

European Community would involve a reduction of around 10 per cent in foreign exchange earnings.

Hong Kong's economic problems, despite its well-known refugee and housing difficulties, have in the past had an unreal quality in the eyes of other hard-pressed nations, both developing and developed: after all, a Government that runs a budget surplus presides over an economy that is not as others are. That was the argument that in the 1977 MFA renewal talks permitted the EEC to single out the dominant producers as less deserving of generous terms than the genuinely Third World producers.

Hong Kong's determined campaign since then to point out to the other MFA countries that they did not benefit through larger quotas and easier access from the slack that those cutbacks on the Crown Colony should have produced—that instead it was the EEC's less competitive garment producers that gained—has done much to strengthen the new solidarity.

Few observers, though, would care to guess the final outcome of the MFA negotiating rounds. Ranged on the one side are the newly-cohesive textile producers, while entrenched on the other are the governments of the

Ten who know that the terms of MFA III could have a direct impact on the speed with which approaching half of the EEC's four million or so textiles and clothing jobs will disappear during the 1980s to fuel further their crisis-level dole queues.

Perhaps more important than that is the realisation on both sides that the Multi-Fibre Arrangement is no longer just about textiles. It is more and more being seen as a test case for the future of the world trading system born out of successive post-war liberalisations and now under protectionist threat.

That knowledge, Hong Kong's senior government officials privately point out, could be the MFA exporters' ace in the hole. For although EEC governments have agreed that they will only ratify the new MFA III framework protocol agreed six months ago in Geneva if the bilateral deals that give it substance are "satisfactory," collapse of the MFA system would presumably involve EEC unilateral measures to meter textile imports instead.

Such moves would be at best questionable under the GATT, and difficult for EEC governments to defend at the forthcoming GATT ministerial talks in Geneva in November this year that are already being heralded as vital to the defence of free trade.



Shirts for export in the Crocodile shirt factory, one of Hong Kong's leading shirt manufacturers

# How to make a mountain out of a molehill.



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## Mill sector

CONTINUED FROM PREVIOUS PAGE

mill sector, to support it. There is no answer yet.

But Mr Tsao does see some encouraging signs for re-investment of property profits in textiles, particularly a revival of interest in the dyeing and finishing sector. "The property market is no longer active," he says. "Land is much cheaper. Money is lying around not doing anything, it has to be invested, and what better place to invest than in something which they used to do?"

The growth of Hong Kong's garment industry has been led by a steady progress up-market towards higher value-added goods. It now has its own high-fashion designers, its manufacturers of designer-label goods, and its supply lines to stores as prestigious as Harrod's of London.

Overall, says Mr Tsao, the textile and garment sector relative to the economy as a whole has reached a level at which he would be happy to see it stabilise for some years to come. "We've found our niche and it is a very comfortable position to be in as far as industrial development is concerned, because we have a solid stable base."

While the up-market movement into fashion goods has kept Hong Kong a step ahead of its regional competitors, it has also made the outlook for the industry more difficult to predict. Order books for basic clothing items used to run six to eight months ahead, so it would now be possible to speak with some confidence about sector performance for the whole of the current year.

For fashion items, buyers place quick short orders and demand fast replenishment if the line sells, so the outlook is more difficult to judge. But expectations are that this year will be a poor one for the industry, with some manufacturers already running contracts at loss-making prices, and protectionist binding markets ever tighter. Hong Kong's textile and garment industry is an exporting industry wholly dependent on the openness of its overseas markets. The key to those markets is the so-called Multi-Fibre Arrangement (MFA), a framework within the General Agreement on Trade and Tariffs (GATT). The MFA provides for suppliers and markets to frame their own bilateral agreements, and it is here that Hong Kong's headaches lie. Hong Kong's most important export markets are the United

States and the EEC, which between them take 61 per cent of its domestic exports. A bilateral agreement was concluded with the United States in March, on terms which Hong Kong regarded as uncomfortably tough but as good as could realistically have been expected.

The nature of the agreement was to restrain severely growth of exports of sensitive items—in other words, all of those where Hong Kong had in past years used its quotas to the full—while freeing from restraint other categories of relatively less importance. The overall effect of that deal, estimated financial secretary Mr John Evansides would be to trim the forecast growth rate of domestic exports to the U.S. by approximately one per cent.

Currently, Hong Kong is in the throes of far less palatable negotiations with the EEC, facing apparently uncompromising demands for substantial quota cutbacks. Hong Kong was, in turn, insisting that cutbacks could not be tolerated.

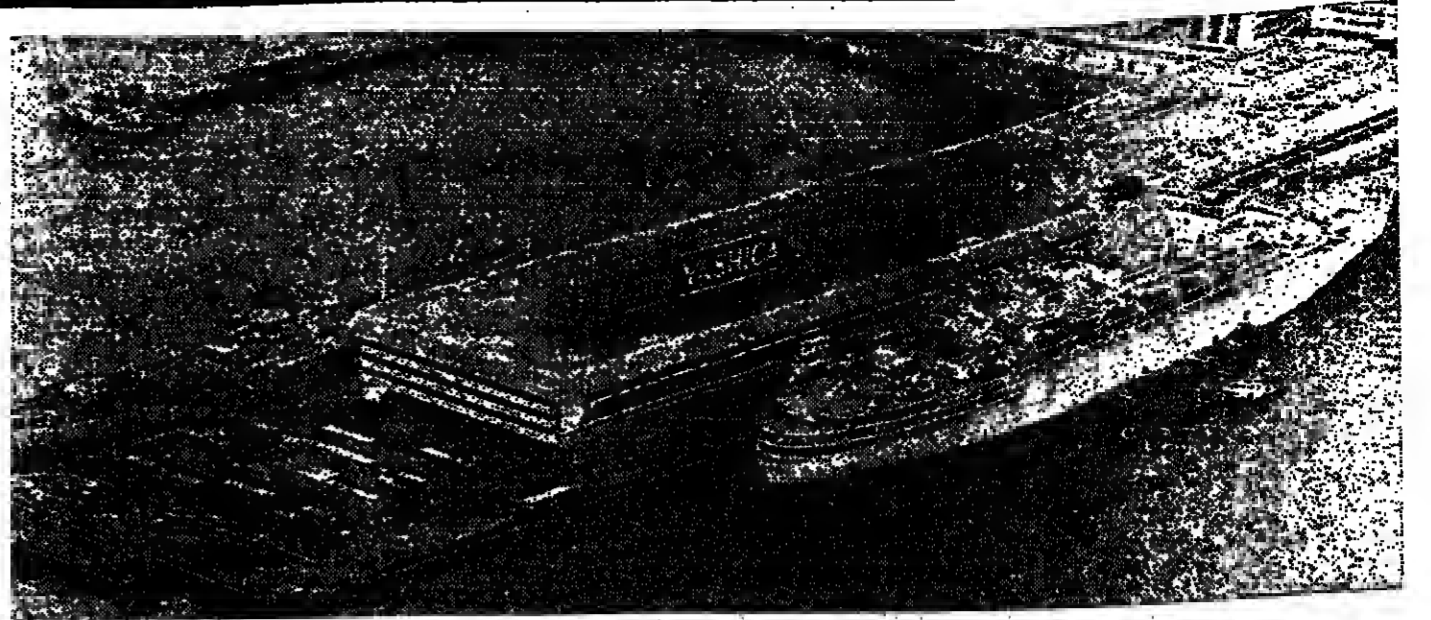
### Far apart

Hong Kong's Trade Commissioner, Mr Lawrence Mills, entered the talks saying that the two sides were as far apart as Brussels and Kowloon—going the wrong way round. The mood in Hong Kong was one of not only commercial foreboding but also moral outrage. Mr Dorward said of the EEC's stand: "Its callous disregard is causing very real threats to the maintenance of any kind of respect for international obligations."

The fear also intrudes that if the EEC did impose its quota cutbacks, other trading partners, not least the U.S., might demand a rewriting of agreements to gain similarly increased protection for their own markets. There is little that Hong Kong can do against protectionism, since the Government believes that any retaliatory moves to restrict access to its own market would compound the problem rather than provoke a solution.

The local textile industry can at least draw upon many years of experience of such problems: between 1959 and 1979 it concluded more than 50 bilateral agreements. But the run-in with Brussels reinforces with a quantum leap the wisdom of looking towards a more diversified economy less vulnerable to specific protectionist barriers.





Sir Yue Kong Pao, chairman of Intertanko and of World Wide Shipping seen in his head office in Hong Kong and the Ocean Terminal, Kowloon

## Fleet expansion will be at a less hectic pace

HONG KONG'S shipping industry represents just under 10 per cent of the world's merchant marine fleet. At the end of last year, Hong Kong shipowners could between them muster nearly 57m dwt, made up of more than 1,500 ships, the biggest single portion of which—almost half—was bulk carriers registered under Liberian or Panamanian flags.

Expansion has been little short of meteoric in recent years, in line with much else of commercial value in the colony. And a number of shipping companies will be adding substantially to their tonnage this year and next. But the signs are that fleet expansion will follow a more sedate route from now on, as supply overtakes demand and Hong Kong's newly emerged shipowners reach some sort of first base maturity.

Asian freight markets weakened visibly in the second half of 1981, and few observers see any chance of a significant recovery until well into 1983. Hong Kong owners are continuing to reduce their dependence on Japan as a source of chartering-out tonnage, and a number of major companies are looking increasingly towards Europe as a means of diversifying trade flows.

According to recent statements from Sir Yue-Kong Pao—Hong Kong's largest fleet owner with over 200 ships totalling 200m dwt, including those on order—currency chaos, falling trade volumes and high inflation and interest rates are likely to continue to cloud the Asian shipping picture for some time to come.

The outlook for shipping in Hong Kong is conditioned almost as much by its structure as the prevailing trade winds. And in this respect the reasons for the rapid growth of the industry is worth closer inspection. Hong Kong shipping in its modern sense has its origins in Japanese demand for ships, a very favourable tax position, the rise of the Asia dollar market and natural entrepreneurial flair.

At the beginning of the 1970s a highly profitable mutual cooperation was struck up between the all-powerful Japanese trading houses and the Hong Kong maritime community. Japan needed a seaborne transport and saw a way of getting it through Hong Kong that was far cheaper—more cash-flow efficient—than using indigenous shipping trades.

known as "shikunisen." Under such a deal, ships ordered by a Hong Kong owner would be built in a Japanese yard to the specification of a Japanese charterer. On delivery, the ship would be entered into a long-term charter that would have been planned before the keel was laid.

The system allowed Japanese charterers to create tonnage financed by foreign debt at a time when Bank of Japan curbs disallowed such a move by a domestic buyer. It also plugged Japanese seaborne demand into the advantages of flag of convenience shipping with its attendant low operating costs.

The Japanese trading houses provided all the necessary introductions and pulled all the financial threads together. In certain instances, they were

shipping magnates look to be casting around successfully for new roles. One of the most important of these has centred on increased links with mainland China. At the same time some shipping companies have dipped a vigorous toe in the open market, picking up a number of five-year time charters with major oil companies.

One of the most eye-catching of Hong Kong's recent attempts to diversify away from Japanese trade centres on the formation last year of United Shipping and Investment Company. This is a tripartite venture involving the Bank of Japan, World International and mainland China.

This is the first time that the Chinese have set up a private commercial venture outside the People's Republic, and the unusual feature of the deal is that they have accepted a minority shareholding, content to sit on just 45 per cent of the invested capital. Moreover, the management team is headed from Hong Kong with Sir Yue-Kong Pao taking the chair.

As for the individual companies, World International remains by far the biggest and most prestigious with net fleet assets equivalent to \$800m at the last balance sheet date—March, 1981—and total tangible assets closer to \$1.4bn. The company has extensive interests in property, insurance and financial services, but shipping still accounts for some 75 per cent of total profits.

Orient Overseas Container is another major group, having acquired the Furness Withy operations in the UK in 1980. Barely nine years old, OOC is increasingly regarded as part of Hong Kong's shipping establishment. Sadly, its founder, Mr C. Y. Tung died earlier this year. His acquisition of the Furness group for \$200m was a considerable coup.

Wah Kwong has been one of the fastest growing fleets in recent years, and so too has Carrion Investments whose recent merger with Grand Marine Holdings has propelled Carrion into the top flight of ship owners. Wah Kwong's present fleet—much of it owned with local partners or foreign charterers—comprises 44 ships of some 4m dwt. A further 24 ships of around 1.5m dwt are on order with value in the region of \$460m.

even known to act as the exporter of a vessel, providing any "top up" finance that the banks could not handle. For its part, the Hong Kong shipping community lost no time in supplying the necessary entrepreneurial flair, helped by a tax background that made rival shipowners in other parts of the world grind their teeth in envy. Most Hong Kong shipping companies pay little or no corporate tax. When a liability is due, it is levied at 17 per cent—in striking contrast to the 40 per cent to 50 per cent flat corporate rate faced by other shipping industries.

The Japanese connection has been a critical influence on the growth of Hong Kong shipping. The percentage of Japanese cargo carried by chartered foreign flag tonnage in external seaborne trades, rose from around a quarter in 1975 to 35 per cent by 1980. At the same time, something like half of the Hong Kong merchant fleet is estimated to be on charter to Japan.

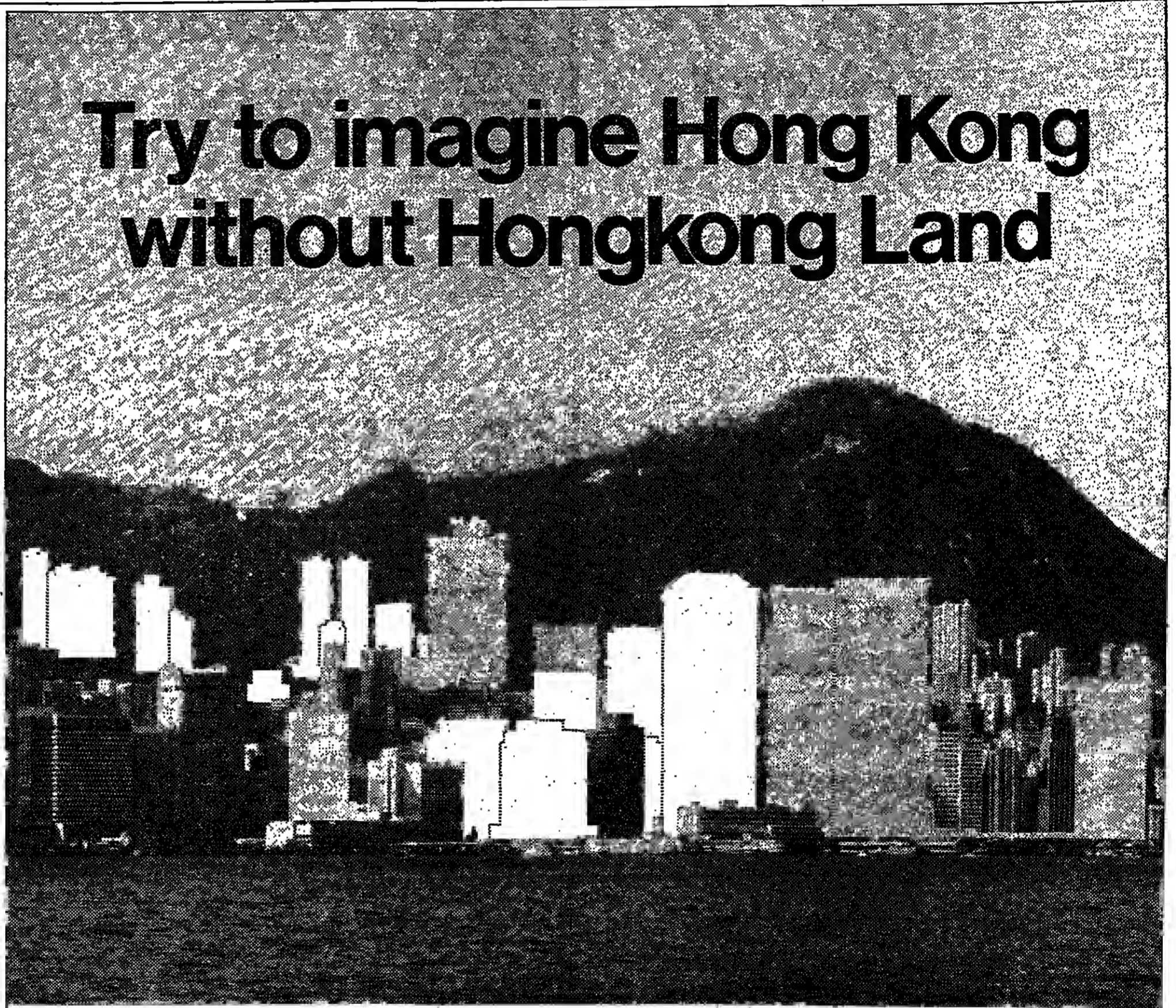
However, the Hong Kong-Japan shipping axis is now showing signs of strain—partly as a result of tonnage overcapacity in Hong Kong and partly stemming from the faltering Japanese economy and measures taken inside Japan to blunt the attractions of leasing deals along the lines of the shikunisen.

Unabashed, Hong Kong's

### SHIPPING

JEFFREY BROWN

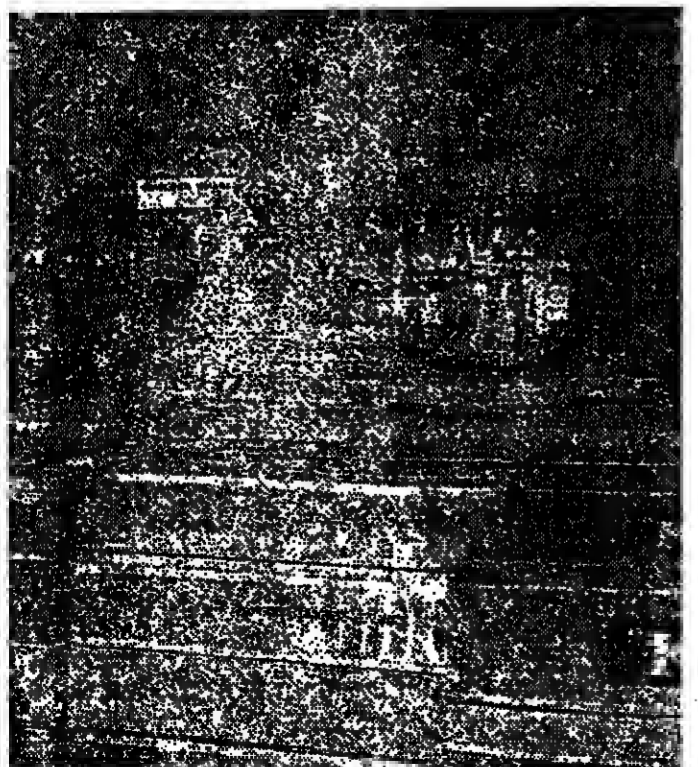
# Try to imagine Hong Kong without Hongkong Land



### COMMERCIAL CARGO

Tonnage carried

Year	Air		Sea		Land	
	Imports	Exports	Imports	Exports	Imports	Exports
1977 ...	70,639	113,374	19,112,226	6,525,061	1,527,415	1,202
1978 ...	91,307	137,624	20,909,017	6,923,416	1,900,908	3,993
1979 ...	107,019	150,389	22,598,774	7,711,080	2,022,506	58,046
1980 ...	105,200	152,665	24,622,506	8,936,622	2,072,726	184,719
1981 ...	121,405	168,900	26,448,318	9,170,622	1,998,232	306,450



Containers at Kowloon Wharf

Hongkong Land's portfolio of properties and developments in progress in the central business district, Hong Kong.

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Hongkong Land's Mandarin International Hotels develops and operates luxury and first class hotels. They include two of the world's finest—The Mandarin, Hong Kong and The Oriental, Bangkok. With four new projects in hand the Company's latest to be announced is The Vancouver Mandarin.

Hongkong Land, Dairy Farm and Mandarin International Hotels make up the three main operating divisions of The Hongkong Land Group, which also holds major interests in trading and utilities.

Hongkong Land is quoted on the Hong Kong and Singapore stock exchanges and is listed in London.

For a copy of the Annual Report, please write to The Hongkong Land Company Ltd, Alexandra House, Hong Kong.



The Hongkong Land Group

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هكذا من الأعمال





# Basic language proposal runs into controversy

## EDUCATION

HILARY STREET

**HONG KONG'S** education system reflects the city's cosmopolitan culture. Both Chinese and English are used as teaching languages, while a small group of English schools offers education on the English pattern. An American and German school are available to children of all nationalities, and French, Japanese, Portuguese and Indonesian groups have their own schools.

Almost a quarter of Hong Kong's population is at present to be found in the classroom — 290,000 kindergarten pupils, plus just over half a million each of primary and secondary levels.

State schooling has expanded its scope rapidly to cope with Hong Kong's fast-growing and youthful population. Free compulsory education was introduced in all Government primary schools,

and most Government-aided primary schools in 1971.

At secondary level, "junior" education—forms one to three—became free in 1978 and compulsory in 1979. Beyond junior level, the Government expects to provide subsidised schooling for over half of its 15-year-olds this year.

The Hong Kong education system is being reviewed by a four-strong panel of experts appointed in conjunction with the Organisation of Economic Co-operation and Development. While the panel's report is due in September, it has already suggested that Chinese should be given greater prominence as a teaching language among younger pupils.

Chinese is the teaching language of most primary schools already, whereas most secondary schools use English, with supporting tuition in English as a foreign language. The argument in favour of extending the use of Chinese—in the local Cantonese dialect—is that not only may the children themselves find it difficult to grasp subjects taught in English, but their Chinese teachers too might

often lack fluency in the language, however fluent their grasp of their own subject.

On the other hand, English is the lingua franca of business. One has to look no further than the classified job advertisements in local papers to discover that English is essential to Chinese youngsters looking for a good career.

Where pupils, and their parents, have a chance to vote with their feet at tertiary level, they choose English as the language of learning. Hong Kong has two universities, one English and one Chinese. Competition for places at the English university is far more fierce, and at a secondary level, the minority of students holding examination certificates won in Cantonese will find potential employers viewing them less favourably than certificates won in English.

The language issue is the most pressing question facing educationalists in Hong Kong at the moment, and it remains to be seen how persuasive the OECD experts' report proves to be at the primary level. But at the secondary level, too, there are factors which might make an expatriate English teacher wonder more than a little. Many classrooms have a near-Victorian atmosphere of rote-learning, no discussion, little creative writing and rigorously prescriptive syllabus.

Sometimes an obscure syllabus, too. What do Chinese 12-year-olds make of Bismarck's foreign policy, or of Henry VIII's marital difficulties? But the style of teaching is evoked by this extract from the staff regulations on one secondary school.

"Teachers should always teach in standing position. Blackboard writing must be neat and orderly and should always be begun from top to bottom. Teachers must closely follow the syllabus set out by the school for every subject. Teachers should always appear in attire befitting a teacher and avoid all gaudy outfits."

Teachers may also, for good measure, in many cases have to keep their cool in non-air-conditioned classrooms thick with tropical humidity while addressing classes of 45 or more with the aid of a public address system to reach pupils at the back.

But carping at the limita-

tions of Hong Kong's education system should not obscure recognition of the problems with which it has to deal. A quarter of the five million-strong population is under 15. All of Hong Kong's public services have had to cope with waves of unplanned immigration, and education is budgeted this year to absorb HK\$4.8bn, or almost 15 per cent of total expenditure.

In sharp contrast to Britain, the demand and respect for education among young and old people in Hong Kong is seemingly inexhaustible. The exam months of May and June find teenagers everywhere desperately searching for quiet places to study away from their crowded flats with no chance of privacy—the eager learners can be found then in the air-conditioned lounge of Kaitak airport, or in doorways at the back of City Hall.

In Britain, poverty, overcrowding and the pressures of inner city living are frequently given as reasons for the failure of both pupils and the education system. In Hong Kong, the reverse attitude prevails. It is especially among the squatters of Kwun Tong and other shack-dwellers that education is most to be cherished, as a passport to a standard of living.

The author is a teacher in Hong Kong.



With a quarter of Hong Kong's five million population under 15, the demand for jobs for youngsters is high. Above: girls assembling computer printed boards at the Ampex Ferrotec factory

# Census records growing wealth

**HONG KONG'S** particular blend of individual endeavour and communal self-discipline continues to prosper, according to the results of the 1981 census. The census—conducted every ten years—shows a picture of growing affluence, with real incomes rising rapidly, smaller households and higher educational standards among a recorded population of 5.11m.

Of those 3.1m, 98 per cent are Chinese, while other ethnic groups include 28,000 British, 12,000 Indians and Pakistanis, and 29,000 people from other South-East Asian countries.

Hong Kong's reputation for hard work is reflected in census labour force statistics. No less than 70.9 per cent of Hong Kong people between 15 and 64 are members of the labour force, comparing favourably with Japan (68 per cent) and Singapore (64 per cent), both of which are also often cited as shining examples of the work ethic in action.

Hong Kong differs from its regional neighbours in having no centralised coercion to work, contrasting with the institutionalisation of the work ethic into the Japanese corporate system with its tradition of lifetime employment and Singapore's Lee Kwan Yu, alarmed by the by-products of Western affluence, is urging his people too to follow the Japanese model.

The Hong Kong folk-heroes are the rags-to-riches men, self-starters who provide the example to inspire others. The emphasis is on the individual and the family, with the Government having a contingent rather than a guiding role in the creation of wealth.

As to that creation of wealth, real per household incomes in Hong Kong rose by 85 per cent between 1971 and 1981, an average yearly rise of 6.3 per cent, despite the need to find 850,000 new jobs for fresh immigrants from China.

Educationally, standards improved, too with primary education plus three years of secondary education now free and compulsory, 42 per cent of the 1981 population had secondary education against 28.5 per cent in 1971. For the 16 to 17 age group, Hong Kong now has 61 per cent in full-time education compared with 46 per cent in Britain. The trend continues through the 18 to 20 age group, where Hong Kong's 23 per cent compares with Britain's 16 per cent.

These figures represent not only the impact of Hong Kong Government programmes but also the importance placed by Hong Kong people on educational standards. The pressures on children can become unbearable, particularly in the exam season, which each year generates its student suicides. A bottleneck exists at the tertiary level, where Hong Kong's two universities and one polytechnic cannot meet the aspirations of local career-minded young people. Hence only 2.7 per cent of Hong Kong's population has received a university education, half the proportion for Singapore. In these circumstances, those who cannot make the grade look abroad—a practical necessity contributing to the dismay caused by the British Government's insensitive policy on overseas

student fees. On the housing front, a perennial problem in overcrowded Hong Kong, the Government's continuing cash-backed commitment now means that 39 per cent of the population live in public housing, a tribute to the importance placed on the housing programme by departing governor Sir Murray MacLehose.

Hence, despite the continuing scar of some 500,000 squatters in ramshackle huts sold to them by sharp-minded racketeers, more people now enjoy the luxury of a home of their own. Aspirations towards ownership are being catered for by the Government's subsidised home ownership scheme.

Again reflecting the housing programme, Hong Kong's population is spreading geographically. The number of

## POPULATION

CHRISTOPHER WOOD

people living in the New Territories has doubled over the last 10 years to 1.3m. As the New Towns grow up, the question remains as to whether their populations, often displaced from urban areas, will adjust to their new environments or whether the vast new estates, some housing 60,000 people, will become a breeding ground for alienation. So far, however, the picture from the estates has been a positive one, with few law-and-order problems.

A key factor in making the New Towns work is transport, rivaling housing now as Hong Kong's number one problem. Getting to work can take an hour and more. The mass transit railway and the Kowloon-Canton Railway are helping to make commuting more tolerable. But despite the general recognition that Hong Kong's roads are critically crowded, a recent Government move to triple car taxes provoked heated public debate. Six members of the Legislative Council went so far as to put away their rubber stamps and vote against it.

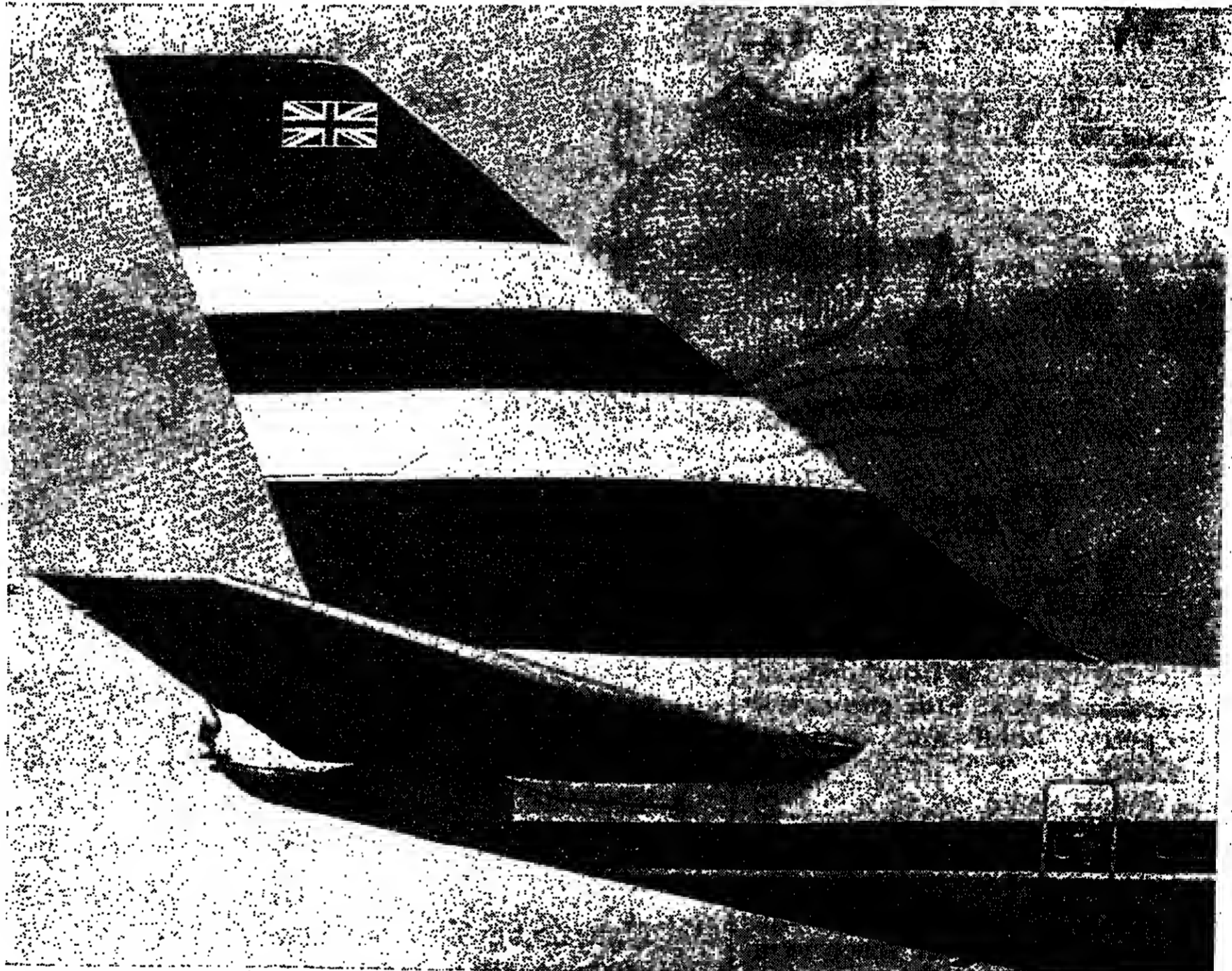
Such dissent is peripheral and manageable. The vast majority of the people support the system and its values, even if they cannot articulate that support. After all, many of them voted with their feet by coming to Hong Kong.

Yet the past year has seen admittedly isolated civil disturbance, with a mob of youths rampaging through Central District in the early hours of Christmas morning. Their targets were the smart shops selling European de luxe goods to rich customers.

An indication, perhaps, that today's Chinese youth will be more demanding than its parents' generation? Increasingly self-confident and outspoken, Hong Kong to the young is a home rather than a refuge, and increasingly they will want some say in its future. They have, after all, no guaranteed future in Britain. Last year's UK Nationality Act hammered home the second-class status of the citizens of Britain's dependent territories. It was widely resented in Hong Kong, as was Gibraltar's specially preferential treatment.

One final note from the 1981 census—Hong Kong is getting older. But there is no danger yet of a hardening of the arteries. The average age of the population went up by five years between 1971 and 1981—from just 21 to 26.

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WHERE THEY LIVE		
By area	1981	%
	Number	of persons
Hong Kong Island	1,183,631	23.7
Kowloon	799,122	15.6
New Kowloon	1,651,064	32.2
New Territories	1,303,005	25.1
Marine	49,747	1.0
Total	4,986,560	100.0





Colourful stalls and the fish market

**TOURISM**

Incoming visitors

Year	Japan	U.S.	Taiwan	Australia	Others	Total
1977	485,495	254,186	87,488	154,849	773,651	1,755,669
1978	487,250	284,642	128,924	160,004	993,919	2,054,739
1979	508,011	303,583	206,344	139,236	1,056,035	2,213,209
1980	472,182	346,910	123,644	166,170	1,192,567	2,301,473
1981	507,960	372,133	135,621	201,793	1,317,696	2,535,203

**CLIMATE**

	Mean temperature °C	Mean relative humidity %	Total rainfall mm
January	16.3	67	Trace
February	17.6	80	11.8
March	20.6	82	123.9
April	24.2	84	34.2
May	25.2	81	226.1
June	26.9	80	106.4
July	28.4	80	317.2
August	29.1	79	101.2
September	27.2	81	381.9
October	24.6	76	111.6
November	20.3	74	69.8
December	16.4	60	5.4



The American fast-food revolution has caught up with the Chinese in Hong Kong. Below: street signs with a London flavour

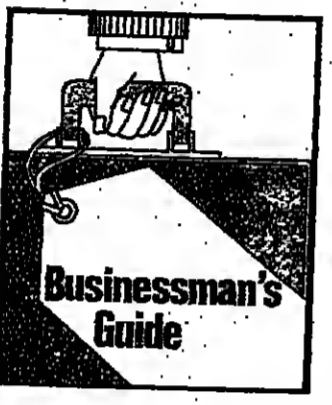


# How to get about, where to eat and how to dress

By Robert Cottrell

**BASIC GEOGRAPHY:** Urban Hong Kong divides into two sections—Hong Kong Island itself, and Kowloon across the harbour on the mainland. The distinction is abbreviated conversationally to "Hong Kong side" and "Kowloon side." On the north shore of Hong Kong Island are the main business districts, Central, and the nightclub district of Wan Chai.

The big tourist hotels and shopping centres are on the southern tip of Kowloon, in the district called Tsim Sha Tsui, pronounced "Sim Shab Choy." On the south side of Hong Kong Island are the resort towns of Stanley and Repulse Bay. North of Kowloon on the mainland are the New Territories, once agricultural but now developed for industrial and new town residential use.



**HOTELS:** For Central district, the best hotels are the Mandarin—still the most prestigious hotel in Hong Kong—and the Hilton. Both are located in the heart of Central. On Kowloon side are the stately Peninsula Hotel, and the plush new Regent. Sadly, the Repulse Bay Hotel, long favoured by those seeking a quieter location on Hong Kong Island, is now set for demolition. Mandarin Hotel, tel. 5-234466 (reservations), Hilton Hotel, tel. 5-293111, Peninsula Hotel, tel. 3-666251, Regent Hotel, tel. 3-7211211.

**RESTAURANTS:** For business entertaining in Central district, both the Mandarin and the Hilton have grill rooms offering good food and prompt service. Two other good restaurants in Central are the famous Jimmy's Kitchen, South China Building, Wyndham Street (tel. 5-265293). Book at least a day ahead, and the Marinushka, a pleasant Mediterranean restaurant—though avoid the less smart upstairs—at 6, on Lan Street, tel. 5-240165.

Godown restaurant in Sutherland House, Central District, which has jazz and dance music in the evenings. tel. 5-221608. Or for a magnificent view of Hong Kong over the harbour, with pricey French food and fussy service, the Plume. Restaurants mentioned so far specialise in Western food.

Hong Kong also offers some of the best and most varied Chinese food in the world—not just the Cantonese cuisine found in most Western Chinese restaurants, but also Shanghai, Peking, and Sichuan.

**Sichuan, Chiu Chow and other regional cuisines.** As a general rule, most Chinese Restaurants in Hong Kong offer good food and value-for-money. If you don't have time to search around, plunge straight in the nearest and allow yourself to be guided by the waiter. Not too much guidance, however, or you are liable to end up with sweet-and-sour pork, chop suey and other run-of-the-mill dishes which the Chinese assume Western palates will favour. Go in a group, and share dishes between you

mixing meat, fish, vegetables and noodles or rice. Cantonese food is light mild, Sichuan food heavier and spicy. Cantonese food will usually be supported with rice, where Northern cuisines—Shanghaiese, Pekinese, will favour breads and noodles.

**For a gentle introduction to regional Chinese food in Central district, try the Peking Garden in Alexandra House, telephone 5-269456; and the Sichuan Garden in Gloucester Tower, Landmark Centre, telephone 5-214433. Both are spacious and comfortable, with bookable private rooms and helpful English-speaking service.**

**BUSINESS PROTOCOL:** A large supply of business cards is a must—they will be exchanged with almost Japanese fervour. Despite the tropical climate, air-conditioned offices mean business dress remains formal—grey pinstripes are better than safari suits, even when humidity stands at 99 per cent. The business day is long—9.30 to 6 for many executives—and Saturday mornings working is normal. **RECREATION:** Hong Kong's most popular relaxation is messing about on boats. be they junks, yachts or wind-surfers. Yellow pages or your hotel reception is the place to turn for advice on hiring boats, but better still get yourself invited out on somebody else's. Horse-racing at Shatin and Happy Valley is another popular recreation, except in the out-of-season high summer months. The Royal Hong Kong Jockey Club offers tourist memberships, but only on production of a passport showing an entry visa less than two weeks old.

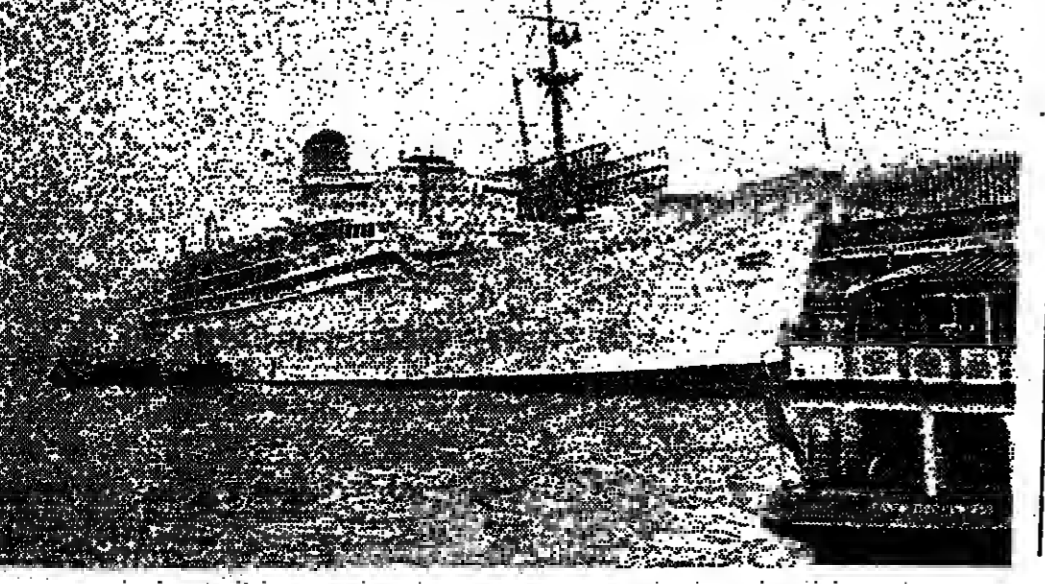
## Pressure on two fronts

CONTINUED FROM PREVIOUS PAGE

the airport has just one runway, extending 11,000 feet on reclaimed land out into the sea off Kowloon. But the cost of replacing Kai Tak would be formidable. A basic estimate of perhaps HK\$7bn could be increased several times depending on how many of the support facilities were counted in as the cost of the airport itself.



Air traffic control at the international Kai Tak airport. Below: the P & O liner Arcadia at the Ocean Terminal, Kowloon



linked by ferry from Hong Kong. Just building a couple of runways at Shep Lap Kok would do little to help Hong Kong's air communications. Not only would on-site support facilities be required, but also fast direct access to Kowloon.

The best way of providing that access is reckoned to be a bridge across the bay from Lantau, linked to a network of new feeder roads in West Kowloon. Included in other supporting engineering work which would be called for to develop Shep Lap Kok, would be a large programme of land reclamation.

Given the cost and difficulties

of the best alternative, perhaps a mere extension of Kai Tak might be tried but Kai Tak is in the heart of urban Hong Kong, and noisy dangerous aeroplanes are not generally to be encouraged in city centres. Moreover, Kai Tak would provide valuable central real estate if it could be freed for development.

The Chinese consideration for Hong Kong's airport planners is the possibility of an airport over the border in the special economic zone of Shenzhen. The tourist industry, however, seems to enjoy using Hong Kong as its stepping-stone into China, and the Chinese themselves encourage this scheme with some of their own tour plans.



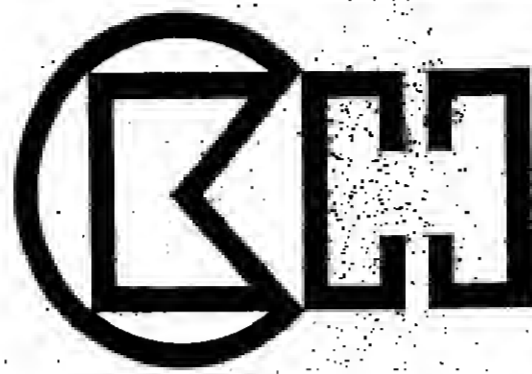
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**HIGHLIGHTS for the Year Ended 31st December, 1981**

- Net profits after tax excluding Extraordinaries total HK\$1,385.4 million: up 97%, representing a 38% return on average shareholders funds outstanding during the year.
- Shareholders funds at the end of the year amounted to HK\$4,417.1 million (Book Value).
- Total profits after tax including Extraordinaries total HK\$1,604.5 million.
- Final dividend 48 cents, making 70 cents total for the year: up 44% after allowing for 3 for 10 bonus issue in May 1981.
- Improved recurrent earnings from associated public companies:
  - Hutchison Whampoa Limited (over 40% owned) up 92% to HK\$790 million excluding Extraordinaries of \$157 million.
  - Green Island Cement Company, Limited (over 40% held through 70% owned subsidiary) up 15.9% to HK\$93.7 million.
- Lee Hing Development Limited (over 40% owned) announced unaudited interim profits for 6 months ended 31st December 1981 of HK\$29.3 million excluding Extraordinaries of HK\$224.9 million.
- New public company floated in May 1981, International City Holdings Limited (over 30% owned), announced profits for 7 months operations in 1981 of HK\$147 million.
- 10 major projects completed during 1981.
- 18 projects scheduled for completion during 1982.
- 1982 will be a difficult but challenging year, and total dividends are forecast to be not less than the 70 cents per share paid for 1981.

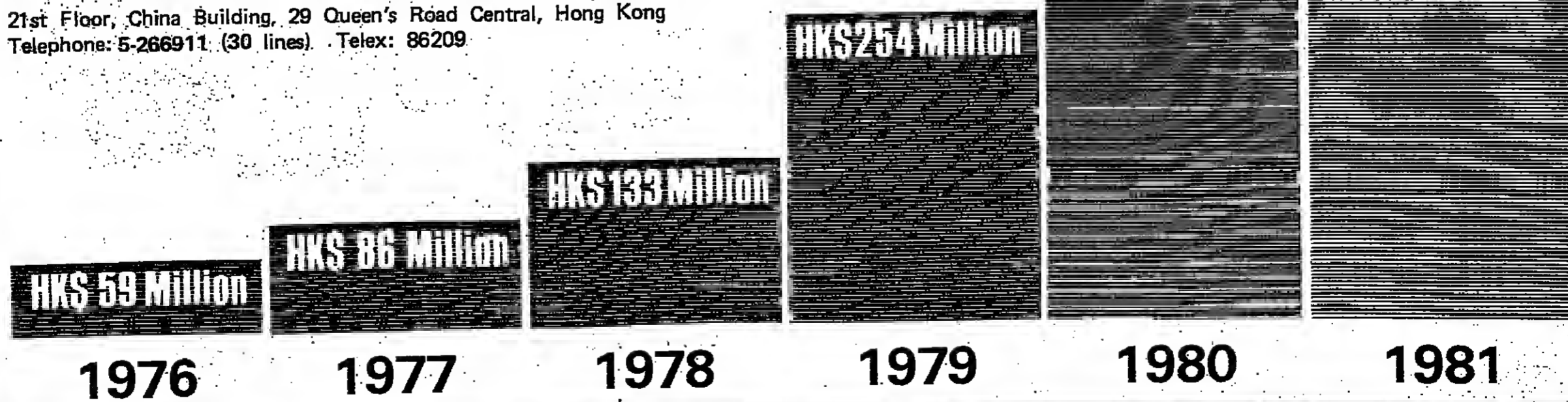
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**BUILDING AND CIVIL ENGINEERING**

**Public housing outlook bleak**

THE Government-inspired reduction in public sector housing activity has been starkly underlined in the latest set of forecasts from the Building and Civil Engineering Economic Development Committees.

The forecasts, which last week suggested that the construction industries can look forward to a modest, medium-term recovery, paint a bleak picture for the future of public housing. The committees' own observation that the prospects are at least slightly more optimistic than they were six months ago provide little room for comfort.

Output in the public housing sector as a whole fell last year by 37 per cent in value terms and a further 21 per cent reduction is expected this year. Another 5 per cent reduction looks likely in 1983.

Translated into numbers, public sector starts (which have

shown a steep downward trend since the mid-1970s) could this year be 40,000 against 37,000 in 1981, with little chance of any significant change up until 1984. With completions set to fall this year to around 24,000 against 28,000 in 1981, and with further reductions in 1983 and 1984, activity will be running at little more than one quarter of the levels achieved in 1975 and 1976.

The rapid decline in new public sector housebuilding could have been even more acute, but for the programme of construction being carried out by housing associations under the auspices of the Housing Corporation. The associations are due to make a start on around 12,000 houses this year, against 10,000 last year. Little further growth is seen, however, beyond this year.

The committees point out that the housing investment programme allocations for England

in 1982-3 indicate a marginal real increase over the previous financial year (in which there was a substantial underspend). But the total includes the provision of £593m from capital receipts arising from housing and land sales, an increase of £190m over the previous year.

Local authorities may opt to increase revenue through interest income, to help limit rent increases, or they could retain receipts to provide a badly needed degree of flexibility at a time when they have to operate under tight financial control.

While the squeeze on the public sector continues, the government's sales programme goes on. Sales in 1981-82 reached about 130,000 and they are expected to reach a peak of 165,000 in the current financial year. During the 1970s, the annual sales rate hovered around 20,000.

MICHAEL CASSELL

**Taylor Woodrow to build £20m television complex**

A CONTRACT, understood to be worth between £12m and £14m, for the construction of new television studio complex for Central Independent Television has been won by TAYLOR WOODROW CONSTRUCTION (MIDLANDS).

Taylor Woodrow said that the complex, in Lentn Road, Nottingham, will be one of the most technically advanced in Europe. The total cost of the scheme, which will have a floor area of about 200,000 sq ft, is estimated at around £20m.

The complex will have three main production studios from which Central will provide locally produced programmes for the East Midlands area and for the independent television network throughout Great Britain.

The scheme is designed around a central block which will house the studios and plant facilities. To the west of the central block there will be a two-storey building which will provide administration offices as well as production and transmission facilities. Another two-storey building to the south will provide catering and general staff facilities.

Other parts of the complex will provide facilities for scenery construction workshops, crew rooms as well as a single-storey staff restaurant. Taylor Woodrow will also provide roads, footpaths, car parking and landscaping for the scheme.

Construction work has already started and is due for completion in autumn next year. Richard Seifert are architects; H. L. Waterman, structural engineers, and John Reddick and Partners, quantity surveyors.

THE CORRECT use of glazing in buildings is a subject which has aroused increasing interest and the key document covering this particular subject, the revised British Standard BS 6262 Code of Practice for Glazing for Buildings, will be available from July 1.

TAYLOR WOODROW is offering discounts on its houses to ordinary shareholders in the group. Shareholders can expect a reduction of 1 per cent on final purchase price. The offer closes on August 31.

miles outside the city centre of Liverpool, were constructed during the local authority housing boom of the 1960s using a precast concrete system build method. Work, which started some weeks ago is expected to be complete in September. The flats will remain occupied throughout the refurbishment. Liverpool City Council will award an extension of the contract which will incorporate a further three blocks of flats at an estimated cost of £430,000.

A contract worth over £2.1m, has been awarded to WALTER LAWRENCE AND SON to build 79 homes at Sanford Manor, Kings Road, SW6, for the Orbit General Housing Association. The development will consist of one three-storey block of flats and a four-storey sheltered housing block together with two-storey houses. The contractors will also undertake all associated works including landscaping. Work has started and the contract period is 31 weeks.

HENRY BOOT SCOTLAND is to carry out a £1.5m management contract for the construction of a maintenance and service centre for geotechnical analysis, Schumburger Inland Services, Inc of Aberdeen. Within this 14 hectare project, designed to service oil and gas exploration equipment, are various laboratories, stores, security post, compound and offices together with associated external works and drainage. Work has started, for completion 00 November 30.

JOHN MOWLEM AND CO has a second contract at RAF Coningsby, Lincolnshire. Awarded by the Property Services Agency, the £1.3m project is to construct two large storage tanks for aviation fuel, along with mechanical and electrical installations, pipework, road works, drainage and ancillary buildings. Work has just started and completion is due in September 1983.

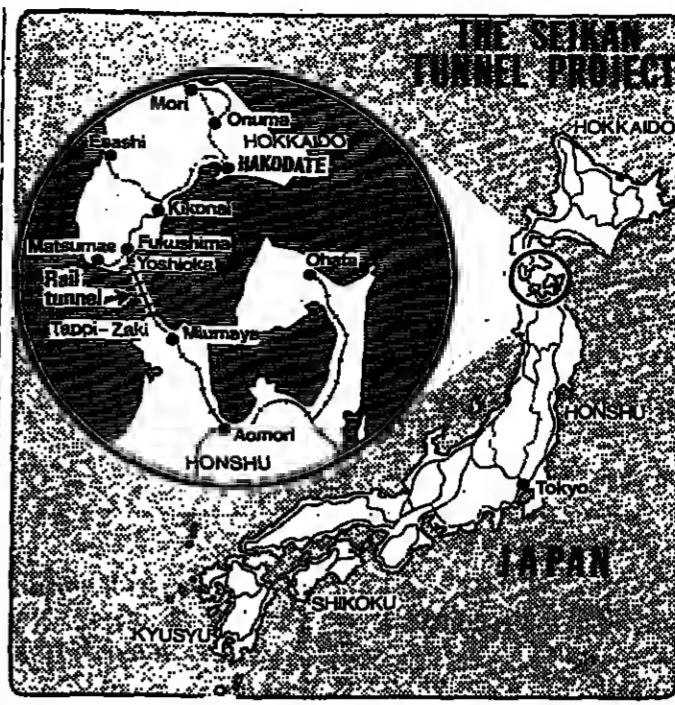
G. E. WALLIS of Bromley has won a contract worth £577,544 for supplying and fixing new joinery and structural carpentry as part of the restoration of the chamber ceiling of the House of Lords. At the same time, West of England Restoration Studio of Bristol has won a £91,870 contract for the restoration of the painted panels which form part of the ceiling.

**... more home contracts ...**

A regional distribution centre is to be built for the House of Fraser department store group at Avonmouth near Bristol, under a £2.5m contract awarded to the south west region of

JOHN LAING CONSTRUCTION. Work is to start soon on the construction of the high bay warehouse of 72,500 sq ft—4 ft to the eaves—containing narrow aisle storage, intake and despatch areas, an attached two-storey office building and extensive parking and landscaped areas. Completion is due in the summer of 1983. Construction is of concrete ground beams on deep piles. The warehouse will have a steel portal frame clad in facing brick and block to the lower levels with profiled metal sheeting to the upper levels and roof. The office will be of load bearing brick and block with provision for an upward extension at a later date.

BOVIS CONSTRUCTION has been awarded a contract valued at £450,000 for the repair and refurbishment of the external elevations to two 16-storey tower blocks. The work includes the repair of spalling concrete to external cladding panels and providing weather-tight joints between the individual external elements of the buildings. This remedial work will halt the damage that is being caused to the structure by the ingress of rain. These local authority flats at Norris Green, some eight



**Longest rail tunnel**

WITH PROSPECTS of an early start to a fixed link across the English Channel, the existing railway by 1985.

The double-track rail tunnel, designed to take the 250 km per hour Shinkansen 'bullet train', will link the islands of Honshu and Hokkaido across the Tsugaru Strait. Work on the link, between Tappi and Yoshioka, began ten years ago and is being undertaken by the Japan Railway Construction Public Corporation of Tokyo. Just over 23 km of the tunnel will be under the sea.

The Seikan scheme will be the world's longest railway tunnel, eclipsing the proposed 32.5 km Strait of Dover link and the existing 19.8 km Simpson tunnel.

Work on the tunnel, which was surveyed initially in 1946, and is being undertaken by the reconnaissance period. It was originally estimated that con-

struction would take eight years but in 1976, following a series of problems, a three-year delay was announced, and completion was expected in the spring of this year.

Now, the Corporation says it expects to complete construction of the access railway between the tunnel and the existing railway by 1985.

Initially, it was planned that trains of both the Shinkansen (standard gauge) and the existing railway (narrow gauge) would use the tunnel but delays to the expansion of the Shinkansen network mean that it will be used only by the existing railway in the initial period of operation. The tunnel is also to be used as a telecommunications and electricity supply link between the two islands.

During the ten-year tunneling programme, by a tunnel-boring machine and drill and blast methods, difficulties encountered included no fewer than four inundations of sea water and enormous ground pressures. Water pressure—the tunnel is beneath 140m of sea—and seepage volume determined that the tunnel would be cut 100m below the seabed. Geological conditions also provided problems and engi-

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ers had in cope with highly fissured volcanic rocks, through which water often seeps, as well as faulting in sedimentary rocks.

The delays have inevitably meant big increases in costs. In 1971, it was reported that the tunnel project would cost ¥200bn (¥433m) but by 1976, when delays were announced, total cost forecasts had escalated to ¥355.4bn (¥805m).

The tunnel is seen as a major aid in improving the efficiency of Japan's economy by connecting two of the country's four principal islands and forming the final link in the high-speed rail network from southern Hokkaido to Kyushu's southern tip, a development which is expected at least to triple the volume of passenger and freight traffic.

The Japan Railway Construction Public Corporation has estimated that by 1985 the tunnel would be used by 25.4m passengers, six times the 1972 traffic on the Seikan Ferryboat Service. It is estimated that freight traffic will reach 36.2m tons by 1985, five times that in 1972.

The tunnel will reduce the journey between Hakodate and Aomori from 230 minutes to 130 minutes. The high-speed system, combined with the tunnel, will cut travelling time over the 1,200 km between Tokyo and Sapporo, Hokkaido's capital, by around two-thirds, to just twice the air flight time. It will enable a stable, massive supply of fresh vegetables and meat to flow from Hokkaido. Competition from train fares could halve air fares.

Seikan may prove, however, too big an investment for the traffic it will carry eventually. Passenger and cargo traffic across the Tsugaru Strait reportedly reached a peak—4.8m passenger-journeys and 8.5m tonnes of freight—in 1973, after air and sea services had established themselves, then slumped by 40 per cent.

ALAN ILLIS

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**U.S. \$200,000,000**  
**The Bank of Nova Scotia**  
(A Canadian Chartered Bank)  
**FLOATING RATE DEBENTURES DUE JULY 1994**

The following have agreed to purchase the Debentures:

- MORGAN STANLEY INTERNATIONAL
- ARAB BANKING CORPORATION (ABC)
- CREDIT SUISSE FIRST BOSTON LIMITED
- GULF INTERNATIONAL BANK B.S.C.
- MANUFACTURERS HANOVER LIMITED
- NIPPON CREDIT INTERNATIONAL (HK) LIMITED
- SANWA BANK (UNDERWRITERS) LIMITED
- SUMITOMO FINANCE INTERNATIONAL
- BANQUE NATIONALE DE PARIS
- DEUTSCHE BANK AKTIENGESELLSCHAFT
- IBJ INTERNATIONAL LIMITED
- MITSUBISHI BANK (EUROPE) S.A.
- SALOMON BROTHERS INTERNATIONAL
- SAUDI INTERNATIONAL BANK  
Al-Bank Al-Saudi Al-Atami Limited
- DOMINION SECURITIES AMES LIMITED

The Debentures, in the denomination of U.S.\$10,000 with an issue price of 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary global Debenture. Interest is payable semi-annually in July and January commencing in January 1983.

Particulars of the Debentures are available in the Excess Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including July 5, 1982 from the brokers to the issue:

Rouse & Pitman,  
City Gate House,  
39-45 Finsbury Square,  
London EC2A 1JA.

June 21, 1982

This announcement appears as a matter of record only.

**NEW ISSUE**

**KUWAIT REAL ESTATE BANK K.S.C.**

Kuwaiti Dinars 7000,000  
Floating Rate Certificates of Deposit  
Issue price 100 per cent

Managed by  
الشركة الكويتية للتجارة والتحويلات والمصارف والاستثمار  
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

April, 1982

This announcement appears as a matter of record only.

**Inter-American Development Bank**

**Dfls. 100,000,000**  
**10% per cent. Dutch Guilder Bonds of 1982, due 1988/1992**  
Annual coupons July 15.

Algemene Bank Nederland N.V.  
Amsterdam-Rotterdam Bank N.V.  
Bank Mees & Hope NV  
Hollandsche Bank-Unie N.V.  
Pierson, Heldring & Pierson N.V.  
Banque de Paris et des Pays-Bas N.V.  
Nederlandsche Middenstandsbank N.V.

Daiwa Europe N.V.  
Deutsche Bank Aktiengesellschaft  
Goldman Sachs International Corp.  
Kuwait International Investment Co. s.a.k.  
Société Générale  
Union Bank of Switzerland (Securities) Limited

June, 1982.







INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Rise in prime rate expected soon

EVERYTHING IS pointing to a rise in the prime rate, perhaps as early as this week. The prime at most major U.S. commercial banks has stood at 16 1/2 per cent since February 23, but the market now expects it to increase to about 17 per cent reflecting the sudden spurt in U.S. interest rates in recent days.

Table with U.S. Interest Rates (annual %). Columns include instrument type (e.g., Fed funds, 3-month Treas. bills) and rates for 1981 and 1982.

seems by the strong seasonal loan demand exacerbated by the continuing ripple effects of the Drysdale affair. These factors, and not any tightening on the part of the Fed, kept the Fed funds rate up in the 14 per cent range all last week compared to 13 1/2 per cent the week before.

Mesa abandons battle with Gulf for Cities Service

GULF OIL has come a big step closer to acquiring Cities Service, the 20th largest U.S. oil company, with the decision by Mesa Petroleum to drop its rival bid.

round these problems by divesting an troublesome oil asset, Gulf would not worry Gulf, whose prime purpose is to buy Cities Service producing oil and gas assets and the company's substantial undeveloped acreage in the U.S.

Advance in PKbanken profits up 59% at four months

PKBANKEN, Sweden's state-owned commercial bank, raised profits by SKR 102m, or by 59 per cent, to SKR 274m (\$45.5m) in the first four months of 1982 compared with the corresponding period of 1981.

Euro-Clear refunds fees

EURO-CLEAR, the Brussels-based international bond clearing system, is refunding US\$1.42m of clearance and delivery fees to its 1,200 institutional members.

European Investment Bank posts

The Board of Governors of the EUROPEAN INVESTMENT BANK, consisting of one Minister from each of the ten member states of the European Community, has appointed the bank's new management committee.

INTERNATIONAL APPOINTMENTS

- Mr Charles S. Sanford Jr. will become president of BANKERS TRUST COMPANY upon the retirement of Mr John W. Hannon Jr. at the end of this year. Mr Sanford, who is currently executive vice-president in charge of resources management and a member of the bank's management committee, will also succeed Mr Hannon as president of Bankers Trust New York Corp.

Portrait of Mr Hans Van Essen with text describing his appointment as vice president in charge of development and chief perfumery at MORGAN GRENPELL INC.

BANCA SERFIN, S.A. Subordinated Floating Rate Serial Notes Due 1985-1989. U.S. \$40,000,000. Includes Morgan Guaranty Ltd logo and list of participating banks.

FT INTERNATIONAL BOND SERVICE

Table showing U.S. Dollar Straights and Foreign Exchange rates for various countries (e.g., Canada, Germany, France).

Table showing Eurobond Turnover (nominal value in \$m) and other market data, including floating rate notes and convertible bonds.

Companies and Markets

WORLD STOCK MARKETS

NEW YORK

Table of stock prices for various companies in New York, including ACP Industries, Amalgamated, and others.

1982 High Low Stock June 18

Table of stock prices for various companies in New York, including Columbia Gas, Conoco, and others.

1982 High Low Stock June 18

Table of stock prices for various companies in New York, including GM, Ford, and others.

1982 High Low Stock June 18

Table of stock prices for various companies in New York, including IBM, AT&T, and others.

CANADA

Table of stock prices for various companies in Canada, including Alcan, Inco, and others.

HOLLAND

Table of stock prices for various companies in Holland, including AF Holding, Alkermid, and others.

HONG KONG

Table of stock prices for various companies in Hong Kong, including Gheung Kong, Cross Sea, and others.

Indices

Table of stock indices for New York, including Dow Jones, S&P 500, and others.

NEW YORK

Table of stock indices for New York, including various regional and sector indices.

AUSTRIA

Table of stock prices for various companies in Austria, including Creditanstalt, and others.

GERMANY

Table of stock prices for various companies in Germany, including VW, and others.

FRANCE

Table of stock prices for various companies in France, including Bouygues, and others.

SWEDEN

Table of stock prices for various companies in Sweden, including Volvo, and others.

FINANCIAL RATES

Table of financial rates, including interest rates and exchange rates for various currencies.

Notes and disclaimers regarding the data provided in the tables.

Companies and Markets

CURRENCIES, MONEY and GOLD

FT UNIT TRUST INFORMATION SERVICE

MONEY MARKETS

Growing marital problems

Europe may be trying to divorce itself from the effects of volatile U.S. interest rates, but even a period of trial separation is proving difficult to achieve.

but the response from other currencies was fairly restrained. Sterling, D-mark and guilder Euro rates rose slightly.

Port Stanley was taken. The strength of sterling against all currencies except the dollar gives some cause for comfort.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for London, Tokyo, Brussels, and Amsterdam, including rates for various currencies and instruments.

BANK OF ENGLAND TREASURY BILL TENDER table showing details for June 18 and June 11 tenders, including applications, allocations, and interest rates.

FT LONDON

INTERBANK FIXING

Table showing interbank fixing rates for 3 months U.S. dollars and 6 months U.S. dollars, with bid and offer rates.

LONDON MONEY RATES

Table showing London money rates for various currencies including Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, Swiss Franc, D-mark, French Franc, Italian Lira, Belgian Franc, Yen, and Danish Krone.

The fixing rates (June 11) are the arithmetic means, rounded to the nearest one-sixteenth of a percent.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table showing Euro-currency interest rates for various currencies and terms, including short-term, 3 months, 6 months, and one year rates.

THE DOLLAR SPOT AND FORWARD

Table showing the dollar spot and forward rates for various currencies, including UK, Canada, Netherlands, Denmark, West Germany, Portugal, Austria, Italy, Norway, France, Belgium, Spain, Sweden, Japan, and Switzerland.

THE POUND SPOT AND FORWARD

Table showing the pound spot and forward rates for various currencies, including U.S., Canada, Netherlands, Denmark, West Germany, Portugal, Austria, Italy, Norway, France, Belgium, Spain, Sweden, Japan, and Switzerland.

CURRENCIES AND GOLD

Dollar very strong

The dollar touched new peaks to the foreign exchange market last week as a result of the sharp rise in Eurodollar interest rates.

The dollar rose to its highest level since the end of August 1981 against the D-mark closing at DM 2.46 compared with DM 2.350 on the previous Friday.

FORWARD RATES AGAINST STERLING

Table showing forward rates against sterling for various currencies, including Dollar, D-Mark, French Franc, Swiss Franc, and Japanese Yen.

GOLD MARKETS

Table showing gold market prices for Gold Bullion (fine ounce), Close, Opening, Morning fixing, and Afternoon fixing.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various currencies, including Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, and UK.

OTHER CURRENCIES

Table showing other currency rates for various countries including Argentina, Australia, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Japan, Korea, Kuwait, Luxembourg, Malaysia, New Zealand, Norway, Singapore, South Africa, and U.A.E.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies, including Sterling, U.S. Dollar, Canadian Dollar, Australian Dollar, New Zealand Dollar, Swiss Franc, D-Mark, French Franc, Italian Lira, Japanese Yen, and Hong Kong Dollar.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies, including Pound Sterling, U.S. Dollar, Deutschmark, Japanese Yen, French Franc, Swiss Franc, Dutch Guilder, Italian Lira, Canadian Dollar, and Belgian Franc.

AUTHORISED TRUSTS

A large grid of authorized trusts and financial services, including Abbey Unit Trst, American Eagle, Cresswell Unit Trst, L & C Unit Trst, and many others, listing their names, addresses, and contact information.

INSURANCES

Table listing various insurance companies and their details, including names like Abbey Life Assurance Co. Ltd., Commercial Union Group, and others.

INSURANCE & OVERSEAS MANAGED FUNDS

Main table listing insurance and overseas managed funds, including companies like Life Assur. Co. of Pennsylvania, Norwich Union Insurance Group, and various international funds.

Table listing additional insurance and managed funds, including entities like Pacific Fund Mgmt. (Jersey) Ltd., Overseas Investment Managers Limited, and others.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas managed funds, including entities like Pacific Fund Mgmt. (Jersey) Ltd., Overseas Investment Managers Limited, and others.

NOTES: Prices are in pence unless otherwise indicated and are based on a unit of 100 pence.



INDUSTRIALS—Continued

Table of industrial stocks including various companies and their share prices.

LEISURE—Continued

Table of leisure-related stocks such as hotels, resorts, and entertainment venues.

PROPERTY—Continued

Table of property and real estate investment trusts.

INVESTMENT TRUSTS—Cont.

Table of various investment trusts and their performance.

OIL AND GAS—Continued

Table of oil and gas companies and their stock prices.

NIPPON KANGYO KAKUMARU SECURITIES TOKYO, JAPAN. Includes contact information for London, Geneva, and Paris.

MINES—Continued

Table of mining stocks, categorized by region like Central African, Australian, and Tins.

NOTES

Notes section containing various financial notices, interest rate changes, and company announcements.

REGIONAL AND IRISH STOCKS

Table of regional and Irish stocks with their respective prices.

OPTIONS 3-month Call Rates

Table of options and 3-month call rates for various currencies.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising companies.

SHIPPING

Table of shipping companies.

SHOES AND LEATHER

Table of shoes and leather goods companies.

SOUTH AFRICANS

Table of South African companies.

TEXTILES

Table of textile companies.

TOBACCO

Table of tobacco companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land investment trusts.

OVERSEAS TRADERS

Table of overseas trading companies.

RUBBERS AND SISALS

Table of rubber and sisal companies.

TEAS

Table of tea companies.

MINES

Table of mining companies.

Far West Rand

Table of Far West Rand mining companies.

O.F.S.

Table of O.F.S. (Overseas Finance) companies.

Finance

Table of finance and banking companies.

OIL AND GAS

Table of oil and gas companies.

Diamond and Platinum

Table of diamond and platinum companies.

INSURANCE

Table of insurance companies.

LEISURE

Table of leisure companies.



# Italian alarm after banker's death

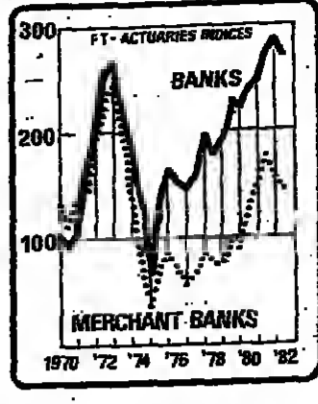
BY RUPERT CORNWELL IN ROME

THE MACABRE discovery of the body of Sig Roberto Calvi, 61, chairman of Banco Ambrosiano, in London has created consternation and alarm among Italy's financial community and politicians alike.

In a letter to Sig Calvi shortly before he vanished from Rome on June 10 the Bank of Italy intimated that these subsidiaries had a total exposure of \$1.4bn in loans of which little is known.

The real doubts revolve round Latin American offshoots of Ambrosiano, in particular the Banco Andino de Lima. In a letter to Sig Calvi shortly before he vanished from Rome on June 10 the Bank of Italy intimated that these subsidiaries had a total exposure of \$1.4bn in loans of which little is known.

# THE LEX COLUMN No banking on inner reserves



There is a great deal of comfort in having something tucked away in your sleeve. Bankers certainly like indulging in a little sleight-of-hand when they produce their accounts—nothing that will seriously deceive, you understand, but only a modicum of prestidigitator to impress the audience.

Such concessions are enjoyed by banks in most European countries, though in the UK the dispensation is limited to a relatively small number of merchant banks, mostly those which are members of the Accepting Houses Committee.

Confidence The argument for the existence of hidden reserves is that they provide a cushion for a bank in hard times. A bank relies on the confidence of depositors, which might be shaken if large exceptional losses were reported.

For over a year he was at the centre of mounting controversy, in particular since the deal with Rizzoli, whose ownership of Italy's most important newspaper, the Corriere della Sera, makes it the object of intense political interest.

Such distortions are against the interests of external users of accounts, and the question must be seriously asked whether they do the banks themselves any good. In the UK, the two groups, which cling to the "principle" of exemption from full disclosure requirements, are the merchant banks and the discount houses.

# Government likely to support job compromise

By Philip Bassett, Labour Correspondent

THE GOVERNMENT is likely to support compromise proposals providing temporary part-time work for the long-term unemployed which are to be considered tomorrow by the Manpower Services Commission.

The proposals are a substantial variant on the original scheme put forward in the Budget by the Chancellor of the Exchequer in an effort to reduce the numbers of long-term unemployed, which are expected to top 1m this year.

# Talks on Costa Rica bond plans

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

MANAGERS of Costa Rica's external bond issues will meet in Geneva a week today to consider proposals which could set a precedent for treatment of Eurobonds in international debt rescheduling.

The study group consists of a banks' representative, a lawyer and a representative of Costa Rica. They suggest that bond holders be asked to exchange their paper for new bonds which bear conditions akin to those in the commercial bank rescheduling.

Costa Rica, emphasise that such an exchange should be voluntary. The proposals, by a special study group followed criticism in the bond market of efforts by creditor banks to draw bond holders into arrangements to reschedule Costa Rica's \$3bn (£1.75bn) foreign debt.

Bond market bankers said that was both invidious because it offered unequal treatment to bond holders, and impracticable, because it was very difficult to establish the true identity of bond holders in the Euro market.

# SDP credit scheme for industry

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

AN INDUSTRIAL credit scheme to provide cheap long-term finance for industrial projects which meet criteria set down for a Liberal-Social Democratic Alliance Government was proposed at the weekend by an SDP study group.

# TUC requests unions to pay fees earlier

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE TUC is formally requesting its 108 affiliated unions to advance payment of their affiliation fees by three months because of current internal cash-flow difficulties.

Last year the TUC was in the red by £420,500. This year there are suggestions that the deficit could rise to £1m. The main cause of the problem is the effect on unemployment in pushing down the memberships of affiliated trade unions.

The TUC's last accounts—will have to be increased again. At present the TUC is hoping to be able to make no request to Congress for an increase, though it will depend on the unions' response to this initiative.

Following consultation with the small unions it is understood that they have in the main decided in favour of the "single list" option, which would mean their voting for 11 general council members from a single list, regardless of trade group.

# Commons inquiry into property agency

BY ANDREW TAYLOR

A PARLIAMENTARY investigation into alleged fraud and irregularities at the Property Services Agency—the body responsible for the acquisition and management of government property—starts today.

# Falklands Continued from Page 1

The Argentine general staff announced at the weekend that the British ice patrol vessel, HMS Endurance, and British troops landed from two helicopters early on Saturday afternoon, were poised to capture the tiny Argentine naval outpost of 10 men on Morret Island in the South Sandwich Islands.

Mr Monty Alfred, agency chief executive, who is due to be a witness at today's select committee hearing, has become increasingly concerned at public criticism of the government agency. He says: "The assertion that the agency is an organisation of considerable inefficiency and has been over the last decade hardly squares with the facts.

# Weather

London, S.W. S.E., E. Anglia, Midlands, N. Wales, N.W. Showers, some bright periods. Max 19C (66F).

WORLDWIDE			
	Y'day	Midday	Y'day
	Monday	Tuesday	Monday
Ajaccio	14	57	L. Amst. C 16 61
Algiers	28	63	L. Amst. F 18 64
Algeria	27	63	L. Amst. F 20 62
Athens	24	63	L. Amst. F 22 62
Bahra	29	91	M. Amst. F 28 82
Barcelona	26	78	M. Amst. F 28 82
Bombay	26	78	M. Amst. F 28 82
Buenos	27	63	M. Amst. F 28 82
Buenos	27	63	M. Amst. F 28 82
Buenos	27	63	M. Amst. F 28 82

Advertisement for ANZ Bank featuring 'Cut out for your foreign exchange'. It includes the ANZ logo, a person holding a large banknote, and text describing the bank's services in Australia and New Zealand, including contact information for branches and dealers.